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As filed with the Securities and Exchange Commission on October 20, 2010

Registration No. 333-169326

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to
Form S-11
REGISTRATION STATEMENT

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

American Assets Trust, Inc.

(Exact Name of Registrant as Specified in Its Governing Instruments)

11455 El Camino Real, Suite 200, San Diego, California 92130
(858) 350-2600
(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

John W. Chamberlain
Chief Executive Officer American Assets Trust, Inc.
11455 El Camino Real, Suite 200, San Diego, California 92130
(858) 350-2600

(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐
(Do not check if a smaller reporting company)	

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion,
Preliminary Prospectus dated October 20, 2010

PROSPECTUS

Shares

American Assets Trust, Inc.

Common Stock

This is the initial public offering of American Assets Trust, Inc. We are selling shares of our common stock.

We expect the initial public offering price of our common stock to be between $ and $ per share. Currently, no public market exists for our shares. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol "AAT." We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a real estate investment trust for federal income tax purposes commencing with our taxable year ending December 31, 2010.

Investing in our common stock involves risks. You should read the section entitled "Risk Factors" beginning on page 25 of this prospectus for a discussion of certain risk factors that you should consider before investing in our common stock.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters may also exercise their option to purchase up to an additional shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2010.

BofA Merrill Lynch **Wells Fargo Securities** **Morgan Stanley**

The date of this prospectus is , 2010.

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You should rely only on the information contained in this document or to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

We use market data, demographic data, industry forecasts and projections throughout this prospectus. Unless otherwise indicated, we derived such information from the market study prepared for us by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm. We have paid RCG a fee of $32,500 for such services. In addition, we have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on historical market data and the preparers' experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the market and industry research others have performed are reliable, but we have not independently verified this information.

For purposes of this prospectus, recreational vehicle, or RV, spaces are counted as multifamily units.

This prospectus sets forth the registered trademark “Embassy Suites,” which is the exclusive property of a subsidiary of Hilton Worldwide, Inc. (“Hilton”). None of Hilton, its subsidiaries or affiliates or any of their respective officers, directors, members, managers, shareholders, owners, agents or employees (collectively, the “Trademark Owner Parties”) is an issuer or underwriter of the shares being offered hereby; plays (or will play) any role in the offer or sale of our shares; has any responsibility for the creation or contents of this prospectus; or, in any fashion controls (or will control) our day-to-day business operations or any element or instrumentality thereof. In addition, none of the Trademark Owner Parties has or will have any liability or responsibility whatsoever arising out of or related to the sale or offer of the shares being offered hereby, including any liability or responsibility for any financial statements, projections or other financial information or other information contained in this prospectus or otherwise disseminated in connection with the offer or sale of the shares offered hereby. You must understand that, if you purchase shares in our company, your sole recourse for any alleged or actual impropriety relating to the offer and sale of such shares and/or our operation of our business will be against us (and/or, as may be applicable, the seller of such shares) and in no event may you seek to impose liability arising from or related to such activity, directly or indirectly, upon any of the Trademark Owner Parties.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding our company and the historical and pro forma financial statements appearing elsewhere in this prospectus, including under the caption "Risk Factors." References in this prospectus to "we," "our," "us" and "our company" refer to American Assets Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including American Assets Trust, L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this prospectus as our operating partnership. Ernest S. Rady, our Executive Chairman, is our promoter. Unless otherwise indicated, the information contained in this prospectus is as of June 30, 2010 and assumes (1) that the underwriters' overallotment option is not exercised, (2) the formation transactions described under the caption "Structure and Formation of Our Company" are consummated, (3) the common stock to be sold in this offering is sold at $ per share, which is the mid-point of the range of prices indicated on the front cover of this prospectus, and (4) the common units of limited partner interest in our operating partnership, or common units, to be issued in the formation transactions are valued at $ per unit. Each common unit is redeemable for cash equal to the then-current market value of one share of common stock or, at our option, one share of our common stock, commencing 14 months following the completion of this offering.

American Assets Trust, Inc.

Overview

We are a full service, vertically integrated and self-administered real estate investment trust, or REIT, that owns, operates, acquires and develops high quality retail and office properties in attractive, high-barrier-to-entry markets primarily in Southern California, Northern California and Hawaii. We were formed to succeed to the real estate business of American Assets, Inc., a privately held corporation founded in 1967 and, as such, we have significant experience, long-standing relationships and extensive knowledge of our core markets, submarkets and asset classes. Our senior management team's operational experience includes overseeing the acquisition or development of more than 9.5 million square feet of retail and office properties and more than 4,600 multifamily units, as well as the disposition of over 4.2 million square feet of retail and office properties and more than 3,600 multifamily units. Based on our experience, and given our focused market strategy, we believe our multi-asset class strategy positions us to maximize the value of our portfolio and pursue our growth strategies.

Upon consummation of this offering, we expect that our portfolio will be comprised of ten retail shopping centers; five office properties; a mixed-use property consisting of a 369-room all-suite hotel and a retail shopping center; and four multifamily properties. A summary of certain information regarding our portfolio, as of June 30, 2010, is set forth below. The following information excludes revenue from the hotel portion of our mixed-use property.

- ***Retail:*** Ten properties comprising approximately 3.0 million rentable square feet, which constitute approximately 45.5% of the total annualized base rent of our portfolio as of June 30, 2010;
- ***Office:*** Five properties comprising approximately 1.5 million rentable square feet, which represent approximately 37.6% of the total annualized base rent of our portfolio as of June 30, 2010;
- ***Mixed-use:*** Our Waikiki Beach Walk property is comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel, which was redeveloped in 2007. The retail space represents approximately 6.7% of the total annualized base rent of our portfolio as of June 30, 2010; and

- ***Multifamily:*** Three apartment communities with stabilized occupancy rates, as well as an RV resort, which is currently operated as part of our multifamily portfolio, in aggregate comprising 922 multifamily units (including 122 RV spaces), which represent approximately 10.2% of the total annualized base rent of our portfolio as of June 30, 2010.

We believe our core markets, which historically have included San Diego, the San Francisco Bay Area and Oahu, Hawaii, are characterized by some of the highest barriers to entry for new real estate construction in the United States, as well as strong demographics and dynamic, diversified economies that will continue to generate jobs and future demand for commercial real estate. We anticipate that the depth and breadth of our real estate experience will allow us to capitalize on revenue-enhancing opportunities in our portfolio and source and execute new acquisition and development opportunities in our core markets, while maintaining stable cash flows throughout various business and economic cycles.

We were formed as a Maryland corporation in July 2010. Ernest S. Rady, our Executive Chairman, when combined with his affiliates, is our largest stockholder. Mr. Rady has over 40 years of experience in the commercial real estate industry and has extensive public company experience. Upon completion of this offering, Mr. Rady and his affiliates will own approximately % of our common stock, approximately % of our common units and approximately % of our company on a fully diluted basis (assuming the exchange of all common units for shares of our common stock). In addition to Mr. Rady, our highly experienced senior management team also includes, among others, John W. Chamberlain and Robert F. Barton, our Chief Executive Officer and Chief Financial Officer, respectively. Messrs. Chamberlain and Barton, who have worked alongside Mr. Rady for 22 and 12 years, respectively, are responsible, along with Mr. Rady, for our strategic planning and day-to-day operations.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of commercial real estate and will enable us to take advantage of new acquisition and development opportunities, as well as growth opportunities, within our portfolio:

- ***Irreplaceable Portfolio of High Quality Retail and Office Properties.*** We have acquired and developed a high quality portfolio of retail and office properties located in affluent neighborhoods and sought-after business centers in Southern California, Northern California, Oahu, Hawaii and San Antonio, Texas. Many of our properties are located in in-fill locations where developable land is scarce or where we believe current zoning, environmental and entitlement regulations significantly restrict new development. Accordingly, we believe that our portfolio of properties cannot be replicated.

- ***Experienced and Committed Senior Management Team with Strong Sponsorship.*** The members of our senior management team have significant experience in all aspects of the commercial real estate industry. In addition, Messrs. Rady, Chamberlain and Barton, each of whom has in excess of 25 years of commercial real estate experience, have worked together at American Assets, Inc. for 12 years, while Messrs. Wyll and Kinney, each of whom has in excess of 16 years of commercial real estate experience, have worked together with Messrs. Rady, Chamberlain and Barton at American Assets, Inc. for six years. Upon the completion of this offering and our formation transactions, our senior management team will own approximately % of our company on a fully diluted basis (assuming the exchange of all common units for shares of our common stock), which we believe will align their interests with those of our stockholders.

- ***Properties Located in High-Barrier-to-Entry Markets with Strong Real Estate Fundamentals.*** Our core markets currently include San Diego, the San Francisco Bay Area and Oahu, Hawaii,

which we believe have attractive long-term real estate fundamentals driven by favorable supply and demand characteristics. Additionally, we believe our markets have strong economic and demographic fundamentals, which will support continued demand for real estate.

- ***Extensive Market Knowledge and Long-Standing Relationships Facilitate Access to a Pipeline of Acquisition and Leasing Opportunities.*** We believe that our in-depth market knowledge and extensive network of long-standing relationships in the real estate industry will provide us access to an ongoing pipeline of attractive acquisition and investment opportunities in and near our core markets. In addition, we believe that our extensive network of relationships with numerous national and regional tenants will enhance our ability to retain and attract high quality tenants, facilitate our leasing efforts and provide us with opportunities to increase occupancy rates at our properties.

- ***Internal Growth Prospects through Development, Redevelopment and Repositioning.*** We believe that the development and redevelopment potential at several of our properties presents compelling growth prospects and that our expertise enhances our ability to capitalize on these opportunities. Our senior management team has successfully completed significant repositioning and redevelopment projects at many of our properties and also has significant experience with the development and redevelopment of retail and office properties in our core markets.

- ***Broad Real Estate Expertise with Retail and Office Focus.*** Our senior management team has strong experience and capabilities across the real estate sector with significant experience and expertise in the retail and office asset classes, which we believe provides for flexibility in pursuing attractive acquisition, development, and repositioning opportunities. Since varying market conditions create opportunities at different times across property types, we believe our expertise enables us to target relatively more attractive investment opportunities throughout economic cycles. We believe that our ability to pursue these types of opportunities differentiates us from many competitors in our core markets.

Business and Growth Strategies

Our primary business objectives are to increase operating cash flows, generate long-term growth and maximize stockholder value. Specifically, we intend to pursue the following strategies to achieve these objectives:

- ***Capitalizing on Acquisition Opportunities in High-Barrier-to-Entry Markets.*** We intend to pursue growth through the strategic acquisition of attractively priced, high quality properties that are well-located in their submarkets. Our overall acquisition strategy focuses on acquiring properties in markets that generally are characterized by strong supply and demand characteristics, including high barriers to entry and diverse industry bases, that appeal to institutional investors.

- ***Repositioning/Redevelopment and Development of Office and Retail Properties.*** We intend to selectively reposition and redevelop several of our existing or newly-acquired properties, and we will also selectively pursue ground-up development of undeveloped land where we believe we can generate attractive risk-adjusted returns. As of June 30, 2010, we have approved entitlements for approximately 140,000 additional square feet of development at our properties and expect to obtain entitlements and approvals for approximately 79,000 additional square feet of development.

- ***Disciplined Capital Recycling Strategy.*** We intend to pursue an efficient asset allocation strategy that maximizes the value of our investments by selectively disposing of properties whose returns appear to have been maximized and redeploying capital into acquisition, repositioning, redevelopment and development opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT.

- ***Proactive Asset and Property Management.*** We intend to continue to actively manage our properties, employ targeted leasing strategies, leverage our existing tenant relationships and focus on reducing operating expenses to increase occupancy rates at our properties, attract high quality tenants and increase property cash flows, thereby enhancing the value of our properties.

Industry Background and Market Opportunity

We currently own assets in the San Diego, the San Francisco Bay Area, Los Angeles, Oahu, Hawaii and San Antonio, Texas markets. We intend to primarily target high-barrier-to-entry markets in Southern and Northern California and Hawaii that exhibit attractive economic fundamentals and have favorable long term supply-demand characteristics. Our target markets in California include the metropolitan areas of San Diego, Los Angeles and Orange County as well as the San Francisco Bay Area. In Hawaii, our core markets include the greater Honolulu area, where our existing assets are located, but may include other markets and submarkets within Hawaii that exhibit similar attractive investment fundamentals.

California Overview

California is the largest state economy in the United States and represents the equivalent of the world's eighth largest economy, having produced $1.8 trillion in goods and services in 2008 accounting for approximately 13% of the national gross domestic product. California is a highly attractive place to live and work and tends to recover more quickly from recessions as population growth fuels economic expansion. As a result of California's attractive economic fundamentals, we believe that California is well positioned for meaningful growth in the coming years and presents a compelling commercial real estate investment opportunity and environment. Additionally, the state's diverse industry mix has historically lead to stronger economic growth during periods of national economic expansion. According to RCG, California is emerging from the recent recession with employment gains in recent months serving as a leading indicator. RCG expects job growth to be moderate in 2010, at 0.9% or 124,000 jobs, but to accelerate in 2011 and 2012 to 1.3% and 1.6%, respectively, adding 394,000 jobs during the two-year period.

Oahu, Hawaii Overview

The State of Hawaii, which has a total population of approximately 1.3 million, consists of the eight major islands of Oahu, Maui, Kauai, Molokai, Lanai, Kahoolawe, Niihau and the Island of Hawaii. The Island of Oahu, which has a population of approximately 0.9 million, is the most populous, with approximately 74.3% of Hawaii's 587,900 jobs as of June 2010 and 70.1% of Hawaii's civilian workforce. According to RCG, the unemployment rate in Honolulu fell to 5.9% in March 2010 from 6.1% at year-end 2009. However, RCG expects total employment growth in Honolulu will accelerate to 1.3% in 2011 and 2012. Given Hawaii's low rate of population growth (0.4% annually since 1990) and consequently smaller labor force, historically, the unemployment rate has trended much lower than the national average.

San Antonio, Texas Overview

Home to a large military and student population, San Antonio was ranked by Forbes magazine as one of the fastest-recovering cities in the United States. RCG expects job growth for the area to be slightly positive for 2010 at 0.7% and increase to 1.7% in 2011. San Antonio's job growth is forecast to outpace that of the broader country in each year, through 2014. Over the same time period, San Antonio personal income growth is projected to average 6.3% annually and household income growth is projected to average 4.5% annually.

The foregoing market data and industry forecasts and projections were derived from the market study prepared for us by RCG.

Summary Risk Factors

An investment in our common stock involves various risks, and prospective investors are urged to carefully consider the matters discussed under "Risk Factors" prior to making an investment in our common stock. Such risks include, but are not limited to:

- Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in California, Hawaii and Texas, which markets represented approximately 72.2%, 19.6%, and 8.2%, respectively, of the total annualized base rent of the properties in our portfolio as of June 30, 2010. Our geographic concentration may cause us to be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio.

- We expect to have approximately $879.9 million of indebtedness outstanding following this offering, which we expect to result in a ratio of debt to total market capitalization of approximately % (% if the underwriters' overallotment option is exercised in full). Our level of indebtedness may expose us to the risk of default under our debt obligations, and our governing documents do not require us to maintain any particular leverage ratio.

- We depend on significant tenants in our office properties, including salesforce.com, inc., Del Monte Corporation and Insurance Company of the West, which represented approximately 14.1%, 10.4% and 8.2%, respectively, or 32.7% in the aggregate, of our total office portfolio annualized base rent as of June 30, 2010.

- Our retail shopping center properties depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.

- We may be unable to renew leases, lease vacant space or re-let space as leases expire. As of June 30, 2010, leases representing 5.4% of the square footage and 8.0% of the annualized base rent of the properties in our office and retail portfolios will expire in the remainder of 2010 and an additional 4.5% of the square footage of the properties in our office and retail portfolios was available for lease.

- Our business strategy involves the acquisition of retail, office, mixed-use and multifamily properties, and we may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

- We have no operating history as a REIT or a publicly traded company and may not be able to successfully operate as a REIT or a publicly traded company.

- We did not conduct arm's-length negotiations with Mr. Rady with respect to the terms of the formation transactions, and we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. Accordingly, the value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined net tangible book value of approximately $126.6 million as of June 30, 2010.

- Our success depends on key personnel, including Ernest S. Rady, John W. Chamberlain and Robert F. Barton, our Executive Chairman, Chief Executive Officer and Chief Financial Officer, respectively, whose continued service is not guaranteed, and the loss of one or more of our key

personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.

- Mr. Rady will continue to be involved in outside businesses that may interfere with his ability to devote time and attention to our business and affairs and although we expect that Mr. Rady will devote a substantial majority of his business time and attention to us, we cannot accurately predict the amount of time and attention Mr. Rady will devote to his outside business interests.
- We may not be able to rebuild our existing properties to their existing specifications, if we experience a substantial or comprehensive loss of such properties.
- Upon completion of this offering and the formation transactions, Ernest S. Rady and his affiliates, directly or indirectly, will own approximately % of our outstanding common stock and % of our outstanding common units, which represents an approximately % beneficial interest in our company on a fully diluted basis, and therefore will have the ability to exercise significant influence on our company and our operating partnership, including the outcome of matters submitted for stockholder action such as approval of significant corporate transactions.
- Messrs. Rady, Chamberlain and Barton will receive shares of our common stock and common units, representing a % beneficial interest on a fully diluted basis, and cash payments in the amount approximately of $ in connection with the formation transactions and this offering, which creates a conflict of interest because they have interests in the successful completion of this offering that may influence their decisions affecting the terms and circumstances under which the offering and formation transactions are completed.
- Our charter and bylaws, the partnership agreement of our operating partnership and Maryland law contain provisions that may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.
- Tax protection agreements could limit our ability to sell or otherwise dispose of certain properties, including when a sale or disposition may otherwise be in our stockholders' best interest.
- Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock, including serious tax consequences that would substantially reduce the funds available for our operations and distributions to stockholders and that could impair our ability to expand our business and raise capital.
- To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions.
- There has been no public market for our common stock prior to this offering and an active trading market for our common stock may not develop following this offering.
- We may be unable to make distributions at expected levels, which could result in a decrease in the market price of our common stock.
- Differences between the book value of the assets to be acquired in the formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock.

Our Properties

Our Portfolio

Upon completion of this offering and consummation of the formation transactions, we will own 20 properties located in the San Diego, San Francisco, Los Angeles, Honolulu and San Antonio markets, containing a total of approximately 3.0 million rentable square feet of retail space, 1.5 million rentable square feet of office space, a mixed-use property comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite Embassy Suites™ hotel, and 922 multifamily units (including 122 RV spaces), which we refer to as our portfolio. The following tables present an overview of our portfolio, based on information as of June 30, 2010. For the meanings of certain terms used in the tables and other important information, please see the discussion immediately following the tables and the footnotes contained within the table.

Retail and Office Portfolios

Property	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Retail Properties								
Carmel Country Plaza	San Diego, CA	1991	9	77,813	100.0%	$ 3,398,160	$ 43.67	$ 42.50
Carmel Mountain Plaza[1]	San Diego, CA	1994	13	440,228	97.2	8,648,658	20.21	20.48
South Bay Marketplace[1]	San Diego, CA	1997	9	132,873	100.0	2,031,718	15.29	15.18
Rancho Carmel Plaza	San Diego, CA	1993	3	30,421	69.3	673,911	31.98	34.97
Lomas Santa Fe Plaza	Solana Beach, CA	1972/1997	9	209,569	93.7	5,028,573	25.60	24.85
Solana Beach Towne Centre	Solana Beach, CA	1973/2000/2004	12	246,730	98.2	5,335,039	22.01	21.72
Del Monte Center[1]	Monterey, CA	1967/1984/2006	16	674,224	97.4	8,956,064	13.63	12.58
The Shops at Kalakaua	Honolulu, HI	1971/2006	3	11,671	100.0	1,535,028	131.52	136.07
Waikele Center	Waipahu, HI	1993/2008	9	537,965	94.3	16,391,804	32.30	32.36
Alamo Quarry[1]	San Antonio, TX	1997/1999	16	589,479	94.9	11,500,141	20.56	20.86
Subtotal/Weighted Average Retail Portfolio			99	2,950,973	96.0%	$ 63,499,095	$ 22.41	$ 22.28
Office Properties								
Torrey Reserve Campus	San Diego, CA	1996-2000	9	456,801	93.0%	$ 14,627,721	$ 34.44	$ 34.91
Solana Beach Corporate Centre	Solana Beach, CA	1982/2005	4	211,796	88.6	6,665,555	35.51	33.86
Valencia Corporate Center	Santa Clarita, CA	1999-2007	3	194,304	76.9	4,238,162	28.37	29.38
160 King Street[2]	San Francisco, CA	2002	1	167,985	88.1	5,442,609	36.77	37.54
The Landmark at One Market[3]	San Francisco, CA	1917/2000	1	421,934	100.0	21,504,396	50.97	48.74
Subtotal/Weighted Average Office Portfolio			18	1,452,820	91.7%	$ 52,478,443	$ 39.41	$ 38.34
Total/Weighted Average Retail and Office Portfolio			**117**	**4,403,793**	**94.6%**	**$115,977,538**	**$ 27.84**	**$ 27.58**

Mixed-Use Portfolio

Retail Portion	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Waikiki Beach Walk—Retail[4]	Honolulu, HI	2006	1	96,569	96.5%	$9,400,219	$ 100.84	$ 99.75

Hotel Portion	Location	Year Built/ Renovated	Number of Buildings	Units	Average Occupancy	Average Daily Rate	Revenue per Available Room	Total Revenue
Waikiki Beach Walk—Embassy Suites™[5]	Honolulu, HI	2008	2	369	83.6%	$ 221.97	$ 185.46	$25,529,494

Multifamily Portfolio

Property	Location	Year Built/ Renovated	Number of Buildings	Units	Percentage Leased	Annualized Base Rent	Average Monthly Base Rent per Leased Unit
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	93.4%	$ 9,573,349	$1,561
Imperial Beach Gardens	Imperial Beach, CA	1959/2008-present	26	160	99.4	2,584,020	1,358
Mariner's Point	Imperial Beach, CA	1986	8	88	97.7	1,140,795	1,101
Santa Fe Park RV Resort[6]	San Diego, CA	1971/2007-2008	1	126	81.0	975,528	653
Total/Weighted Average Multifamily Portfolio			**115**	**922**	**93.2%**	**$14,273,692**	**$1,358**

(1) Net rentable square feet at certain of our retail properties includes square footage leased pursuant to ground leases, as described in "Business and Properties—Our Portfolio—Retail Portfolio" and in the following table:

Property	Number of Ground Leases	Square Footage Leased Pursuant to Ground Leases	Aggregate Annualized Base Rent
Carmel Mountain Plaza	4	119,000	$ 821,075
South Bay Marketplace	1	2,824	$ 81,540
Del Monte Center	2	295,100	$ 201,291
Alamo Quarry	4	32,000	$ 428,250

(2) We have executed one lease at 160 King Street for 7,385 net rentable square feet and annualized base rent of $310,184, which commenced subsequent to June 30, 2010. Assuming inclusion of this lease, percentage leased would be 92.5%.

(3) This property contains 421,934 net rentable square feet consisting of The Landmark at One Market (377,714 net rentable square feet) as well as a separate long-term leasehold interest in approximately 44,220 net rentable square feet of space located in an adjacent six-story leasehold known as the Annex. We currently lease the Annex from Paramount Group pursuant to a long-term master lease effective through June 30, 2016, which we have the option to extend until 2026 pursuant to two five-year extension options.

(4) Waikiki Beach Walk—Retail contains 96,569 net rentable square feet consisting of 93,955 net rentable square feet that we own in fee and approximately 2,614 net rentable square feet of space in which we have a subleasehold interest pursuant to a sublease from First Hawaiian Bank effective through December 31, 2021.

(5) Total revenue is total revenue for Waikiki Beach Walk—Embassy Suites™ for the 12-month period ended June 30, 2010.

(6) The Santa Fe Park RV Resort is subject to seasonal variation, with higher rates of occupancy occurring during the summer months. During the 12 months ended June 30, 2010, the highest average monthly occupancy rate for this property was 100%, occurring in July 2009, and the lowest average monthly occupancy rate for this property was 68.0%, occurring in April 2010. For the 12-month period ended June 30, 2010, the total base rent for this property was $848,913. The number of units at the Santa Fe Park RV Resort includes 122 RV spaces and four apartments.

In the tables above:

- The net rentable square feet for each of our retail properties and the retail portion of our mixed-use property is the sum of (1) the square footages of existing leases, plus (2) for available space, the field verified square footage. The net rentable square feet for each of our office properties is the sum of (1) the square footages of existing leases, plus (2) for available space, management's estimate of net rentable square feet based, in part, on past leases. The net rentable square feet included in such office leases is generally determined consistently with the Building Owners and Managers Association, or BOMA, 1996 measurement guidelines.

- Percentage leased for each of our retail and office properties is calculated as (1) square footage under commenced leases as of June 30, 2010, divided by (2) net rentable square feet, expressed as a percentage, while percentage leased for our multifamily properties is calculated as (1) total units rented as of June 30, 2010, divided by (2) total units available, expressed as a percentage.

- Annualized base rent is calculated by multiplying (1) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010, by (2) 12. Annualized base rent per leased square foot is calculated by dividing (1) annualized base rent, by (2) square footage under commenced leases as of June 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Total abatements for leases in effect as of June 30, 2010 for (1) our retail and office portfolio and (2) our mixed-use portfolio will equal approximately $237,000 and zero, respectively, for the 12 months ending June 30, 2011. Total abatements for leases in effect as of June 30, 2010 for our multifamily portfolio equaled approximately $897,636 for the 12 months ended June 30, 2010.

- Average net effective annual base rent per leased square foot represents (1) the contractual base rent for leases in place as of June 30, 2010, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (2) square footage under commenced leases as of June 30, 2010.

- Units represent the total number of units available for sale/rent at June 30, 2010.

- Average occupancy represents the percentage of available units that were sold during the 12-month period ended June 30, 2010, and is calculated by dividing (1) the number of units sold by (2) the product of the total number of units and the total number of days in the period. Average daily rate represents the average rate paid for the units sold, and is calculated by dividing (1) the total room revenue (i.e., excluding food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services) for the 12-month period ended June 30, 2010, by (2) the number of units sold. Revenue per available room, or RevPAR, represents the total unit revenue per total available units for the 12-month period ended June 30, 2010 and is calculated by multiplying average occupancy by the average daily rate. RevPAR does not include food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services.

- Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended June 30, 2010.

Structure and Formation of Our Company

Our Operating Entities

Our Operating Partnership

Following the completion of this offering and the formation transactions, substantially all of our assets will be held by, and our operations will be conducted through, our operating partnership. We will contribute the net proceeds from this offering to our operating partnership in exchange for common units therein. Our interest in our operating partnership will generally entitle us to share in cash distributions from, and in the profits and losses of, our operating partnership in proportion to our percentage ownership. As the sole general partner of our operating partnership, we will generally have the exclusive power under the partnership agreement to manage and conduct its business and affairs, subject to certain limited approval and voting rights of the limited partners, which are described more fully below in "Description of the Partnership Agreement of American Assets Trust, L.P." Our board of directors will manage our business and affairs.

Beginning on or after the date which is 14 months after the completion of this offering, each limited partner of our operating partnership will have the right to require our operating partnership to redeem part or all of its common units for cash, based upon the value of an equivalent number of shares of our common stock at the time of the redemption, or, at our election, shares of our common stock on a one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled "Description of Securities—Restrictions on Ownership and Transfer." With each redemption of common units, our percentage ownership interest in our operating partnership and our share of our operating partnership's cash distributions and profits and losses will increase. See "Description of the Partnership Agreement of American Assets Trust, L.P."

Our Services Company

As part of the formation transactions, we formed American Assets Trust Services, Inc., a Maryland corporation that is wholly owned by our operating partnership and that we refer to as our services company. We will elect with our services company to treat it as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a taxable REIT subsidiary may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated.

Formation Transactions

Each property that will be owned by us through our operating partnership upon the completion of this offering and the formation transactions is currently owned directly or indirectly by partnerships, limited liability companies or corporations in which Ernest S. Rady and his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, our other directors and executive officers and their affiliates and/or other third parties own a direct or indirect interest. We refer to these partnerships, limited liability companies and corporations collectively as the "ownership entities." The current owners of the ownership entities, whom we refer to as the "prior investors," have (1) entered into contribution agreements with us or our operating partnership, pursuant to which they will contribute their interests in the ownership entities to us or our operating partnership or its subsidiaries, or (2) caused the ownership entities to enter into merger agreements pursuant to which the ownership entities will merge with and into us, our operating partnership or certain of our or our operating partnership's subsidiaries (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities), in each case substantially concurrently with the completion of

this offering. To the extent that we are party directly to certain mergers in the formation transactions, we will contribute the assets received in such merger transactions to our operating partnership in exchange for common units. In addition, in connection with such transactions, American Assets, Inc. will contribute its property management business, which we refer to as the "property management business," to our operating partnership in exchange for common units pursuant to a contribution agreement. The prior investors will receive cash, shares of our common stock and/or common units in exchange for their interests in the ownership entities. See "Certain Relationships and Related Transactions." The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or investors, on the other hand, and will be determined based on a relative equity valuation analysis of all of the properties included in our portfolio and the property management business. We have not obtained independent third-party appraisals of the properties in our portfolio. See "Structure and Formation of Our Company—Our Structure—Determination of Consideration Payable for Our Properties." These formation transactions are designed to:

- consolidate the ownership of our portfolio under our company and our operating partnership;
- cause us to succeed to the property management business;
- facilitate this offering;
- enable us to raise necessary capital to repay existing indebtedness related to certain properties in our portfolio;
- enable us to qualify as a REIT for federal income tax purposes commencing with the taxable year ending December 31, 2010;
- defer the recognition of taxable gain by certain prior investors; and
- enable prior investors to obtain liquidity for their investments.

Each of the prior investors has a substantive, pre-existing relationship with us and consented, prior to the filing of the registration statement of which this prospectus is a part with the SEC, to the contribution or merger of the ownership entity or entities in which he or she holds an investment and made an election to receive shares of our common stock and/or common units in the formation transactions. All prior investors receiving shares of our common stock and/or common units are "accredited investors" as defined under Regulation D of the Securities Act. The issuance of such shares and units will be effected in reliance upon exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D of the Securities Act.

Pursuant to the formation transactions, the following have occurred or will occur substantially concurrently with the completion of this offering.

- We were formed as a Maryland corporation on July 16, 2010.
- American Assets Trust, L.P., our operating partnership, was formed as a Maryland limited partnership on July 16, 2010.
- We will sell shares of our common stock in this offering and an additional shares if the underwriters exercise their overallotment option in full, and we will contribute the net proceeds from this offering to our operating partnership in exchange for common units (or common units if the underwriters exercise their overallotment option in full).

- We will succeed to the property management business as a result of the contribution by American Assets, Inc. of the assets and liabilities associated with the property management business to its wholly owned subsidiary, American Assets Trust Management, LLC, and the subsequent contribution of its interest in that entity to our operating partnership in exchange for common units.

- We and our operating partnership will consolidate the ownership of our portfolio of properties by acquiring the entities that directly or indirectly own such properties or by acquiring interests in such entities through a series of forward and reverse merger transactions and contributions pursuant to merger agreements and contribution agreements each dated September 13, 2010, with such entities or the owners thereof. The value of the consideration to be paid to each of the owners of such entities in the formation transactions will be determined according to the terms of such merger agreements and contribution agreements.

- Prior investors in the merged and contributed entities (including Messrs. Rady, Chamberlain and Barton and their respective affiliates) will receive as consideration for such mergers and contributions shares of our common stock, common units, or in the case of non-accredited investors in such entities, $ in cash in accordance with the terms of the relevant merger and/or contribution agreements. The aggregate value of common stock and common units to be paid to prior investors in such entities at the mid-point of the range of prices shown on the cover of this prospectus is $. This value will increase or decrease if our common stock is priced above or below the mid-point of the range of prices shown on the cover of this prospectus. Investors who are not "accredited investors," as defined under Regulation D of the Securities Act, will receive cash consideration rather than shares of our common stock or common units to ensure that the issuance of common stock and/or common units to accredited investors in the formation transactions can be effected in reliance upon an exemption from registration provided by Section 4(2) and Regulation D of the Securities Act.

- The Rady Trust has entered into a representation, warranty and indemnity agreement, pursuant to which it has made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. For purposes of satisfying any indemnification claims, the Rady Trust will deposit into escrow shares of our common stock and common units with an aggregate value equal to ten percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions. The Rady Trust has no obligation to increase the amount of common stock or common units in the escrow in the event the trading price of our common stock declines below the initial public offering price. Any and all amounts remaining in the escrow one year from the closing of the formation transactions will be distributed to the Rady Trust to the extent that indemnity claims have not been made against such amounts. This indemnification is subject to a one-time aggregate deductible equal to one percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions and a cap equal to the value of the consideration deposited in the escrow. Other than the Rady Trust, none of the prior investors or the entities that we are acquiring in the formation transactions will provide us with any indemnification.

- The current management team of American Assets, Inc. will become our senior management team, and the current real estate professionals employed by American Assets, Inc. will become our employees.

- Our operating partnership intends to use a portion of the net proceeds of this offering to repay approximately $341.4 million of outstanding indebtedness, including applicable prepayment costs,

exit fees and defeasance costs of $24.3 million. As a result of the foregoing uses of proceeds, we expect to have approximately $879.9 million of total debt outstanding upon completion of this offering and the formation transactions. We determined the loans to be repaid based upon our determination of which would be economically prudent to repay, taking into account the maturity dates, interest rates and prepayment costs, exit fees and defeasance costs associated with the various outstanding loans.

- In conjunction with this offering, we anticipate entering into an agreement for a $ million revolving credit facility. We expect to use this facility to fund future capital expenditures related to lease-up, acquisitions and for general corporate purposes.

- In connection with the foregoing transactions, we expect to adopt a cash and equity-based incentive award plan and other incentive plans for our directors, officers, employees and consultants. We expect that an aggregate of shares of our common stock will be available for issuance under awards granted pursuant to our 2010 Equity Incentive Award Plan. See "Executive Compensation—Equity Incentive Award Plan."

Benefits of the Formation Transactions to Related Parties

In connection with this offering and the formation transactions, Mr. Rady, our Executive Chairman, and certain of our other directors and executive officers will receive material benefits described in "Certain Relationships and Related Transactions," including the following. All amounts are based on the mid-point of the range set forth on the cover page of this prospectus:

- Mr. Rady, our Executive Chairman, and his affiliates, including the Rady Trust, will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Rady and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full. In addition, Mr. Rady and his affiliates will receive an aggregate of approximately $ million in cash, as discussed in the bullets below.

- In connection with the formation transactions, we will repay in cash from the proceeds of this offering (1) approximately $4.9 million in notes payable to certain of the prior investors in Del Monte Center and (2) approximately $350,000 in notes payable to certain prior investors in Torrey Reserve Campus. In their capacity as direct or indirect owners of the entities that own Del Monte Center and the Torrey Reserve Campus, Mr. Rady and his affiliates will receive approximately $3.8 million and $30,000, respectively, of these amounts.

- In connection with the formation transactions, Mr. Rady and his affiliates will receive an estimated $ million of cash as a result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Rady and his affiliates are prior investors.

- Mr. Chamberlain, our Chief Executive Officer and director, and his affiliates will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Chamberlain and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full.

- In connection with the formation transactions, Mr. Chamberlain and his affiliates will receive an estimated $ million of cash as the result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Chamberlain and his affiliates are prior investors.

- Mr. Barton, our Chief Financial Officer, and his affiliates will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Barton and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full.

- In connection with the formation transactions, Mr. Barton and his affiliates will receive an estimated $ million of cash as the result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Barton and his affiliates are prior investors.

- The Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $75.4 million of indebtedness, in the aggregate, which will be repaid with proceeds from this offering and, as a result, the Rady Trust and these other affiliates of Mr. Rady will be released from these guarantee obligations. In addition, the Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $879.9 million of indebtedness, in the aggregate, that will be assumed by us upon completion of this offering. In connection with this assumption, we will seek to have the Rady Trust and such other affiliates of Mr. Rady released from such guarantees and to have our operating partnership assume any such guarantee obligations as replacement guarantor. To the extent lenders do not consent to the release of the Rady Trust and/or such other affiliates of Mr. Rady, and the Rady Trust and such other affiliates remain guarantors on assumed indebtedness following the IPO, our operating partnership will enter into a reimbursement agreement with the Rady Trust and such affiliates, pursuant to which our operating partnership will be obligated to reimburse the Rady Trust and such other affiliates of Mr. Rady for any amounts paid by them under guarantees with respect to the assumed indebtedness.

- We will enter into a tax protection agreement with certain limited partners of our operating partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, pursuant to which we agree to indemnify such limited partners against adverse tax consequences in connection with: (1) our sale of Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza portion of Torrey Reserve in a taxable transaction until the seventh anniversary of the closing of the formation transactions; and (2) our failure to provide certain limited partners the opportunity to guarantee certain debt of our operating partnership during such period, or following such period, our failure to use commercially reasonable efforts to provide such opportunities; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain will have the opportunity to guarantee up to $ million and $ million, respectively, of our outstanding indebtedness, pursuant to the tax protection agreement. See "Structure and Formation of Our Company—Benefits of the Formation Transactions to Related Parties."

- In connection with the completion of this offering, we will enter into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions, including Mr. Rady his affiliates, immediate family members and related trusts and certain of our other directors and executive officers and their affiliates pursuant, to which, commencing not later than 14 months after the date of this offering, we will be obligated to file one or more registration statements for our common stock. We will agree to pay all of the expenses relating to such securities registrations. See "Shares Eligible for Future Sale—Registration Rights."

- We may enter into employment agreements with certain of our executive officers that would become effective as of the closing of this offering, which would be expected to provide for salary,

bonus and other benefits, including accelerated equity vesting upon a change in control and severance upon a termination of employment under certain circumstances. The material terms of the agreements with our named executive officers are described under "Executive Compensation—Employment Agreements" and "Executive Compensation—Compensation Tables—Narrative Disclosure to Summary Compensation Table."

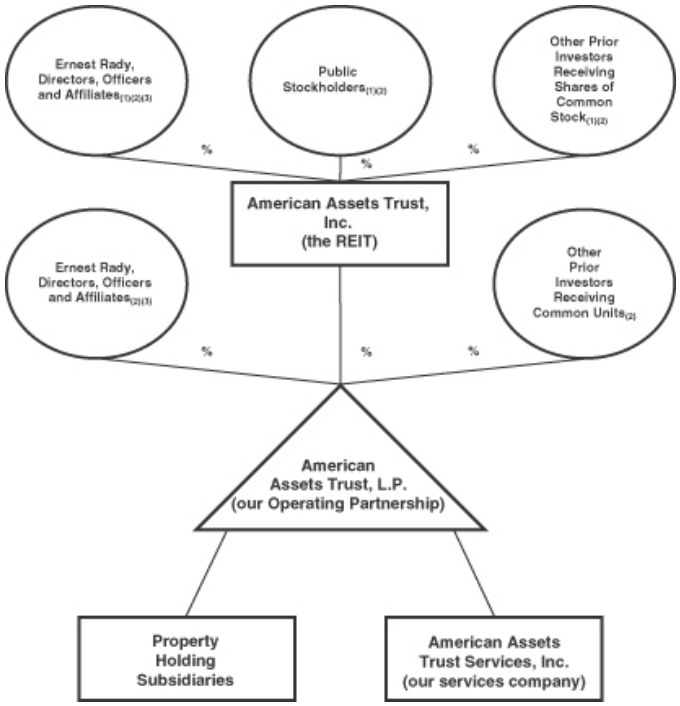
- We intend to enter into indemnification agreements with directors and executive officers at the closing of this offering, providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us or, at our request, service to other entities, as officers or directors.

- We intend to adopt our 2010 Equity Incentive Award Plan, under which we may grant cash or equity incentive awards to our directors, officers, employees and consultants. See "Executive Compensation—Equity Incentive Award Plan."

For additional information regarding the consequences of this offering and the formation transaction and benefits of the formation transactions that will be realized by certain related parties, see "Structure and Formation of the Company—Consequences of this Offering and the Formation Transactions."

Our Structure

The following diagram depicts our expected ownership structure upon completion of this offering and the formation transactions. Our operating partnership will own the various properties in our portfolio directly or indirectly, and in some cases through special purpose entities that were created in connection with various financings.



(1) On a fully diluted basis, our public stockholders will own % of our outstanding common stock, Mr. Rady and his affiliates, our other executive officers and directors and their affiliates will own % of our outstanding common stock and the other prior investors in the entities that own the properties in our portfolio as a group will own % of our outstanding common stock. If the underwriters exercise their overallotment option in full, on a fully diluted basis, our public stockholders will own % of our outstanding common stock, Mr. Rady and his affiliates, our other executive officers and directors and their affiliates will own % of our outstanding common stock and the other prior investors in the entities that own properties in our portfolio as a group will own % of our outstanding common stock.

(2) If the underwriters exercise their overallotment option in full, our public stockholders, Mr. Rady and his affiliates, our other executive officers and directors and their affiliates and the other prior investors in the entities that own the properties in our portfolio will own %, %, % and %, respectively, of our outstanding common stock, and Mr. Rady and his affiliates, our other executive officers and directors and their affiliates and other prior investors in the entities that own the properties in our portfolio will own %, % and %, respectively, of the outstanding common units.

(3) Mr. Rady's affiliates are: Ernest Rady Trust U/D/T March 10, 1983; Donald R. Rady Trust; Harry M. Rady Trust; Margo S. Rady Trust; DHM Trust dated as of 29th of May 1959; and American Assets, Inc. Mr. Chamberlain's affiliates are Trust C of the W.E. & B.M. Chamberlain Trust and The John W. and Rebecca S. Chamberlain Trust. Mr. Barton's affiliate is the Robert and Katherine Barton Living Trust. See "Principal Stockholders."

Restrictions on Transfer

Under our partnership agreement, holders of common units do not have redemption or exchange rights, except under limited circumstances, for a period of 14 months, and may not otherwise transfer their units, except under certain limited circumstances, for a period of 14 months, from completion of this offering. After the expiration of this 14-month period, transfers of units by limited partners and their assignees are subject to various conditions, including our right of first refusal, described under "Description of the Partnership Agreement of American Assets Trust, L.P.—Transfers and Withdrawals." In addition, each of our executive officers, directors and director nominees and their affiliates, as well as the prior investors have agreed not to sell or otherwise transfer or encumber any shares of our common stock or securities convertible or exchangeable into our common stock (including common units) owned by them at the completion of this offering or thereafter acquired by them for a period of 365 days (with respect to our executive officers, directors and director nominees and their affiliates) and 180 days (with respect to other prior investors) after the date of this prospectus without the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated.

Restrictions on Ownership of our Stock

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, as amended, or the Code, our charter generally prohibits any person from actually, beneficially or constructively owning more than % in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than % in value of the aggregate outstanding shares of all classes and series of our stock. We refer to these restrictions as the "ownership limits." As permitted by our charter, our board of directors will grant to Mr. Rady (and certain of his affiliates) an exemption from the ownership limits, subject to various conditions and limitations, as described under "Description of Securities—Restrictions on Ownership and Transfer."

Conflicts of Interest

Following the completion of this offering and the formation transactions, conflicts of interest may arise between the holders of units and our stockholders with respect to certain transactions. In particular, the consummation of certain business combinations, the sale of any properties or a reduction of indebtedness could have adverse tax consequences to holders of units, which would make those transactions less desirable to certain holders of such units. Mr. Rady will hold both common units and shares of our common stock upon completion of this offering and the formation transactions.

The Rady Trust and other affiliates of Mr. Rady and/or our other directors and executive officers own interests, directly or indirectly, in the entities that own the properties that are included in our portfolio and that we will acquire in the formation transactions and as such are parties to or, have interests in, contribution s and/or merger agreements with us. In addition, certain of our executive officers may become parties to employment agreements with us. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationships with members of our senior management or our board of directors and their affiliates, with possible negative impact on stockholders.

The Rady Trust has entered into a representation, warranty and indemnity agreement with us, pursuant to which it made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. See "Certain Relationships and Related Transactions—Formation Transactions." We may choose not to enforce, or to enforce less vigorously, our rights under this agreement due to our ongoing relationship with Mr. Rady. See

"Risk Factors—Risks Related to Our Organizational Structure—We may pursue less vigorous enforcement of terms of the contribution and other agreements with members of our senior management and our affiliates because of our dependence on them and conflicts of interest."

In addition, pursuant to a tax protection agreement, we have agreed to indemnify certain limited partners of our operating partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, against certain adverse tax consequences to them. See "Certain Relationships and Related Transactions—Tax Protection Agreement." The tax indemnities granted to Mr. Rady, an affiliate of Mr. Chamberlain and certain other limited partners of our operating partnership may affect the way in which we conduct our business, including when and under what circumstances we sell restricted properties or interests therein during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay an amount equal to the taxes owed by these investors (plus an additional amount equal to the taxes incurred as a result of such payment).

We did not conduct arm's-length negotiations with Mr. Rady with respect to the terms of the formation transactions. In the course of structuring the formation transactions, Mr. Rady had the ability to influence the type and level of benefits that he and the Rady Trust will receive from us. In addition, we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior s investors, including Mr. Rady, in connection with s the formation transactions. As a result, the price to be paid by us to the prior investors, including Mr. Rady, for the acquisition of the properties and assets in the formation transactions may exceed the fair market value of those properties and assets.

We have adopted policies that are designed to eliminate or minimize certain potential conflicts of interests, and the limited partners of our operating partnership have agreed that, in the event of a conflict between the interests of us or our stockholders and the interests of our operating partnership or any of its limited partners, we are under no obligation not to give priority to the separate interests of our company or our stockholders. See "Policies with respect to Certain Activities—Conflict of Interest Policies" and "Description of the Partnership Agreement of American Assets Trust, L.P."

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, are lenders under two outstanding loans totaling approximately $31.6 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. Additionally, affiliates of Wells Fargo Securities, LLC, another underwriter in this offering, are lenders under three outstanding loans totaling approximately $44.8 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. As a result, these affiliates will receive the portion of the net proceeds of this offering that are used to prepay such indebtedness. In addition, certain affiliates of the underwriters will participate as lenders under the $ million revolving credit facility that we anticipate entering into upon the completion of this offering. In their capacity as lenders, these affiliates of the underwriters will receive certain financing fees in connection with the credit facility in addition to the underwriting discounts and commissions that may result from this offering. These transactions create potential conflicts of interest because the underwriters have an interest in the successful completion of this offering beyond the underwriting discounts and commissions they will receive. These interests may influence the decision regarding the terms and circumstances under which the offering and formation transactions are completed.

Distribution Policy

We intend to pay cash dividends to holders of our common stock. We intend to pay a pro rata dividend with respect to the period commencing on the completion of this offering and ending , 2010 based on $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual dividend rate of approximately %, based on the mid-point of the range set forth on the cover page of this prospectus. We intend to maintain our initial dividend rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. We intend to make dividend distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay income and excise taxes. Dividends declared by us will be authorized by our board of directors in its sole discretion out of funds legally available for such and will depend upon a number of factors, including restrictions under applicable law and the requirements for our qualification as a REIT for federal income tax purposes. We may in the future also choose to pay dividends in shares of our common stock. See "Material U.S. Federal Income Tax Considerations—Federal Income Tax Considerations for Holders of Our Common Stock—Taxation of Taxable U.S. Stockholders" and "Risk Factors—Risks Related to Our Status as a REIT—We may in the future choose to pay dividends in shares of our common stock, in which case you may be required to pay tax in excess of the cash you receive." We do not intend to reduce the expected dividend per share if the underwriters' overallotment option is exercised.

Our Tax Status

We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2010. We believe that our organization and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our REIT taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax on our REIT taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property. In addition, the income of any taxable REIT subsidiary that we own will be subject to taxation at regular corporate rates. See "Federal Income Tax Considerations."

Corporate Information

Our principal executive office is located at 11455 El Camino Real, Suite 200, San Diego, California 92130. Our telephone number is (858) 350-2600. We have reserved the website located at *www.americanassetstrust.com.* The information on, or accessible through, our Web site is not incorporated into and does not constitute a part of this prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission, or SEC. We have included our Web site address as an inactive textual reference and do not intend it to be an active link to our Web site.

	This Offering
Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters' overallotment option in full).
Common stock to be outstanding after this offering	shares[1]
Common stock and common units to be outstanding after this offering	shares and common units[1][2]
Use of proceeds	We estimate that the net proceeds of this offering, after deducting the underwriting discount and commissions and estimated expenses, will be approximately $ million ($ million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership intends to use the net proceeds of this offering as follows: • $341.4 million to repay outstanding indebtedness, including applicable prepayment costs, exit fees and defeasance costs of $24.3 million; • $13.2 million to purchase the approximately 80,000 square foot building vacated by Mervyn's located in Carmel Mountain Plaza; • up to $8.5 million for tenant improvements and leasing commissions at The Landmark at One Market; • $ million to pay non-accredited prior investors in connection with the formation transactions; • up to $2.0 million to pay costs related to the renovation of Solana Beach Towne Centre; and • the remaining amounts for general corporate purposes, including future acquisitions and, potentially, paying distributions.
Risk Factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading "Risk Factors" beginning on page 28 and other information included in this prospectus before investing in our common stock.
Proposed New York Stock Exchange symbol	"AAT"

(1) Includes (a) shares of common stock to be issued in this offering, (b) the shares of common stock to be issued in connection with the formation transactions, (c) shares of restricted stock to be granted to our officers and certain other employees concurrently with the completion of this offering and (d) shares of restricted stock to be granted to our non-employee

directors concurrently with the completion of this offering. Excludes (a) shares of our common stock issuable upon the exercise of the underwriters' overallotment option in full, (b) shares of our common stock available for future issuance under our 2010 Equity Incentive Award Plan, and (c) shares that may be issued, at our option, upon exchange of common units to be issued in the formation transactions.

(2) Includes common units expected to be issued in the formation transactions, which may, subject to certain limitations, be redeemed for cash or, at our option, exchanged for shares of common stock on a one-for-one basis.

Summary Selected Financial Data

The following table sets forth summary selected financial and operating data on a historical combined basis for our "Predecessor." Our Predecessor is comprised of certain entities and their consolidated subsidiaries that own directly or indirectly 17 retail, office and multifamily properties, and unconsolidated equity interests in four retail, mixed-use and office properties. We refer to these entities and their subsidiaries collectively as the "ownership entities." Each of the ownership entities currently owns, directly or indirectly, one or more retail, office, mixed-use or multifamily properties. Upon completion of this offering and the formation transactions, we will acquire the 17 retail, office and multifamily properties owned directly or indirectly by our Predecessor, as well as our Predecessor's unconsolidated equity interests in three other retail, office and mixed-use properties, and assume the ownership and operation of its business. As a result of the completion of the formation transactions we will have acquired direct or indirect ownership of a total of 20 retail, office, mixed-use and multifamily properties. We have not presented historical information for American Assets Trust, Inc. because we have not had any corporate activity since our formation other than the issuance of 1,000 shares of common stock to the Rady Trust in connection with the initial capitalization of the company and activity in connection with this offering, and because we believe that a discussion of the results of American Assets Trust, Inc. would not be meaningful.

You should read the following summary selected financial data in conjunction with our combined historical consolidated financial statements and the related notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus.

The historical combined balance sheet information as of June 30, 2010 of our Predecessor and the combined statements of operations for the six months ended June 30, 2010 and 2009 of our Predecessor have been derived from the historical unaudited combined financial statements included elsewhere in this prospectus and includes all adjustments consisting of normal recurring adjustments, which management considers necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheet information as of December 31, 2009 and 2008 of our Predecessor and the combined statements of operations information for each of the years ended December 31, 2009, 2008 and 2007 of our Predecessor have been derived from the historical audited combined financial statements included elsewhere in this prospectus.

Our unaudited summary selected pro forma consolidated financial statements and operating information as of and for the six months ended June 30, 2010 and for the year ended December 31, 2009 assumes completion of this offering and the formation transactions as of the beginning of the periods presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

The Company (Pro Forma) and Our Predecessor (Historical)

	Six Months Ended June 30,			Year Ended December 31,			
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined		
	2010	2010	2009	2009	2009	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	(In thousands, except per share data)						
Statement of Operations Data:							
Rental income	$ 94,043	$ 56,509	$ 55,252	$ 189,150	$ 113,080	$ 117,104	$ 113,324
Other property income	3,074	1,710	1,691	6,768	3,963	3,839	4,184
Total revenue	97,117	58,219	56,943	195,918	117,043	120,943	117,508
Expenses:							
Rental expenses	24,068	9,864	9,854	49,277	20,336	22,029	21,674
Real estate taxes	8,471	5,948	2,463	13,298	8,306	10,890	10,878
General and administrative	4,465	3,408	3,756	9,050	7,058	8,690	10,471
Depreciation and amortization	25,465	14,739	14,902	51,309	29,858	31,089	31,376
Total operating expenses	62,469	33,959	30,975	122,934	65,558	72,698	74,399
Operating income	34,648	24,260	25,968	72,984	51,485	48,245	43,109
Interest income and other, net	(121)	31	109	(113)	173	1,167	2,462
Interest expense	(26,752)	(21,278)	(21,489)	(53,825)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	—	1,943	871	—	1,736	1,538	2,721
Income (loss) from real estate joint ventures	—	1,407	(2,503)	—	(4,865)	(19,272)	(7,191)
Income (loss) from continuing operations	7,775	6,363	2,956	19,046	5,239	(12,059)	(1,801)
Discontinued operations:							
Loss from discontinued operations	—	—	—	—	—	(2,071)	(2,874)
Gain on sale of real estate property	—	—	—	—	—	2,625	—
Results from discontinued operations	—	—	—	—	—	554	(2,874)
Net income (loss)	7,775	6,363	2,956	19,046	5,239	(11,505)	(4,675)
Net income (loss) attributable to noncontrolling interests	—	(899)	(656)	—	(1,205)	(4,488)	(2,140)
Net income (loss) attributable to Predecessor	7,775	$ 7,262	$ 3,612	$ 19,046	$ 6,444	$ (7,017)	$ (2,535)
Balance Sheet Data (at period end)							
Net real estate	$1,290,391	$ 928,831			$ 774,208	$ 793,237	$ 802,605
Total assets	1,516,247	1,099,549			938,991	971,118	1,039,909
Notes payable	859,316	895,346			744,451	755,189	729,174
Total liabilities	905,424	944,335			768,028	781,944	763,717
Noncontrolling interests	73,694	36,285			37,790	40,310	60,881
Stockholders'/owners' equity	537,129	155,214			170,963	189,174	276,192
Total liabilities and stockholders'/ owners' equity	1,516,247	1,099,549			938,991	971,118	1,039,909
Per Share Data:							
Pro forma basic earnings per share	—			—			
Pro forma diluted earnings per share	—			—			
Pro forma weighted average common shares outstanding—basic	—			—			
Pro forma weighted average common shares outstanding—diluted	—			—			
Other Data:							
Pro forma funds from operations[(1)]	$ 33,240			$ 70,355			
Cash flows from:							
Operating activities		$ 23,408	$ 27,613		$ 47,501	$ 47,592	$ 31,179
Investing activities		(11,422)	(4,306)		(7,544)	2,111	(44,441)
Financing activities		(4,583)	(13,737)		(34,746)	(49,957)	18,850

(1) We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with U.S. generally accepted accounting principles, or GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our pro forma FFO to net income, the nearest GAAP equivalent, for the periods presented:

	Pro Forma		
	Six Months Ended June 30, 2010	(In Thousands)	Year Ended December 31, 2009
Pro forma net income	$ 7,775		$ 19,046
Plus: pro forma real estate depreciation and amortization	25,465		51,309
Pro forma funds from operations	$ 33,240		$ 70,355

RISK FACTORS

Investing in our common stock involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring shares of our common stock offered by this prospectus. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a part of your investment in our common stock. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled "Forward-Looking Statements."

Risks Related to Our Business and Operations

Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in California, Hawaii and Texas, which may cause us to be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio.

Our properties are located in California, Hawaii and Texas, and substantially all of our properties (19 out of the total 20) are concentrated in California and Hawaii, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. As of June 30, 2010, our properties in the California and Hawaii markets represented approximately 72.2% and 19.6%, respectively, of the total annualized base rent of the properties in our portfolio. As a result, we are particularly susceptible to adverse economic or other conditions in these markets (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in these markets (such as earthquakes, wildfires and other events). For example, both California and Hawaii experienced economic downturns in recent years. Among the many effects of these economic downturns, according to RCG, tourist spending in San Diego, which helps to drive its retail sector, was down 12.7% in 2009 as compared to 2008. In addition, San Francisco has experienced an increase in the office vacancy rate and softer rents, including for premier view-space in the central business district. As such, our retail properties located in the greater San Diego area and our office properties located in San Francisco were impacted by these conditions. Similarly, our properties in Hawaii were impacted by the effects of reduced tourism in Hawaii as a result of the economic downturn. If there is a further downturn in the economy in either of these markets, our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders, could be materially adversely affected. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of retail properties, office properties or multifamily properties. Our operations may also be affected if competing properties are built in either of these markets. Moreover, submarkets within any of our core markets may be dependent upon a limited number of industries. In addition, the State of California continues to suffer from severe budgetary constraints and is regarded as more litigious and more highly regulated and taxed than many other states, all of which may reduce demand for retail, office, mixed-use or multifamily space in California. Any adverse economic or real estate developments in the California or Hawaii markets, or any decrease in demand for retail, office, mixed-use or multifamily space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to our stockholders.

We expect to have approximately $879.9 million of indebtedness outstanding following this offering, which may expose us to the risk of default under our debt obligations.

Upon completion of this offering and consummation of the formation transactions, we anticipate that our total indebtedness will be approximately $879.9 million, a substantial portion of which will be guaranteed by our operating partnership, and we may incur significant additional debt to finance future acquisition and

development activities. Concurrently with the completion of this offering, we expect to enter into a revolving credit facility.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any loan with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Consolidated Indebtedness to be Outstanding After this Offering.”

We depend on significant tenants in our office properties, and a bankruptcy, insolvency or inability to pay rent of any of these tenants may adversely affect the income produced by our office properties and could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As of June 30, 2010, the three largest tenants in our office portfolio—salesforce.com, inc., Del Monte Corporation and Insurance Company of the West—represented approximately 32.7% of the total annualized base rent in our office portfolio. In December 2010, Del Monte Corporation’s lease will end and salesforce.com, inc. will expand into Del Monte Corporation’s vacated space. At that time DLA Piper will become our third largest tenant. DLA Piper has vacated its 69,656 square foot space in conjunction with its relocation to a new office building but will continue to pay rent on its space until its lease expires in February 2012. As of July 31, 2010, approximately 60,500 square feet of DLA Piper’s vacated space has been subleased. We will continue to collect rent from DLA Piper through February 2012 regardless of whether the remaining space is subleased. The inability of a significant tenant to pay rent or the bankruptcy or insolvency of a significant tenant may adversely affect the income produced by our office properties. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. As of June 30, 2010, salesforce.com, inc., Del Monte Corporation, Insurance Company of the West and DLA Piper represented approximately 14.1%, 10.4%, 8.2% and 6.2%, respectively, of the total office portfolio annualized base rent. If any of these tenants were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in

protecting our investment. Any such event could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our retail shopping center properties depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.

Our retail shopping center properties typically are anchored by large, nationally recognized tenants. At any time, our tenants may experience a downturn in their business that may weaken significantly their financial condition. As a result, our tenants, including our anchor and other major tenants, may fail to comply with their contractual obligations to us, seek concessions in order to continue operations or declare bankruptcy, any of which could result in the termination of such tenants' leases and the loss of rental income attributable to the terminated leases. In addition, certain of our tenants may cease operations while continuing to pay rent, which could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. In addition to these potential effects of a business downturn, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our retail properties.

Loss of, or a store closure by, an anchor or major tenant could significantly reduce our occupancy level or the rent we receive from our retail properties, and we may not have the right to re-lease vacated space or we may be unable to re-lease vacated space at attractive rents or at all. Moreover, in the event of default by a major tenant or anchor store, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties. The occurrence of any of the situations described above, particularly if it involves an anchor tenant with leases in multiple locations, could seriously harm our performance and could adversely affect the value of the applicable retail property.

As of June 30, 2010, our largest anchor tenants were Lowe's, Kmart and Foodland Super Market, Ltd., which together represented approximately 7.0% of our total annualized base rent of our portfolio in the aggregate, and 6.3%, 5.5% and 3.5%, respectively, of the annualized base rent generated by our retail properties. Foodland Super Market, Ltd. has ceased all operations in its leased premises and has subleased the premises to International Church of the Foursquare Gospel. Although we are currently collecting the rent for the leased premises, Foodland Super Market, Ltd.'s lease expires in 2014 and it is unlikely that it will renew its lease with us. In the event that Foodland Super Market, Ltd. does not renew its lease with us, there can be no assurances that we will be able to re-lease such premises at market rents, or at all, which may materially adversely affect our financial condition, results of operations, cash flow and cash available for distribution and our ability to satisfy our debt service obligations.

Many of the leases at our retail properties contain "co-tenancy" or "go-dark" provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could adversely affect our performance or the value of the applicable retail property.

Many of the leases at our retail properties contain "co-tenancy" provisions that condition a tenant's obligation to remain open, the amount of rent payable by the tenant or the tenant's obligation to continue occupancy on certain conditions, including: (1) the presence of a certain anchor tenant or tenants; (2) the continued operation of an anchor tenant's store; and (3) minimum occupancy levels at the applicable retail property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have the right to cease operations, to terminate its lease early or to a reduction of its rent. In periods of prolonged economic decline, there is a higher than normal risk that co-tenancy provisions will be triggered as there is a higher risk of tenants closing stores or terminating leases during these periods. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain "go-dark" provisions that allow the tenant to cease operations while continuing to pay rent. This could result in decreased customer traffic at the applicable retail property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in

our retail leases result in lower revenue or tenant sales or tenants' rights to terminate their leases early or to a reduction of their rent, our performance or the value of the applicable retail property could be adversely affected.

We may be unable to renew leases, lease vacant space or re-let space as leases expire, thereby increasing or prolonging vacancies, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

As of June 30, 2010, leases representing 5.4% of the square footage and 8.0% of the annualized base rent of the properties in our office and retail portfolios will expire in the remainder of 2010, and an additional 4.4% of the square footage of the properties in our office and retail portfolios was available (taking into account uncommenced leases signed as of June 30, 2010). We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. In addition, our ability to lease our multifamily properties at favorable rates, or at all, may be adversely affected by the increase in supply and deterioration in the multifamily market stemming from the ongoing recession, and is dependent upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the downturn in the housing market, stock market volatility and uncertainty about the future. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

Our business strategy involves the acquisition of retail, office, mixed-use and multifamily properties. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. We continue to evaluate the market of available properties and may attempt to acquire properties when strategic opportunities exist. However, we may be unable to acquire properties identified as potential acquisition opportunities. Our ability to acquire properties on favorable terms, or at all, may be exposed to the following significant risks:

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;
- even if we enter into agreements for the acquisition of properties, these agreements are subject to conditions to closing, which we may be unable to satisfy; and
- we may be unable to finance the acquisition on favorable terms or at all.

If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected. In addition, failure to identify or complete acquisitions of suitable properties could slow our growth.

We face significant competition for acquisitions of real properties, which may reduce the number of acquisition opportunities available to us and increase the costs of these acquisitions.

The current market for acquisitions continues to be extremely competitive. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We also face significant competition for attractive acquisition opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors and institutional

investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and/or reducing the rents we can charge and, as a result, adversely affecting our operating results.

Our future acquisitions may not yield the returns we expect, and we may otherwise be unable to operate these properties to meet our financial expectations, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may be exposed to the following significant risks:

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- our cash flow may be insufficient to meet our required principal and interest payments;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may not be able to control our operating costs or our expenses may remain constant or increase, even if our revenues do not increase, causing our results of operations to be adversely affected.

Factors that may adversely affect our ability to control operating costs include the need to pay for insurance and other operating costs, including real estate taxes, which could increase over time, the need periodically to repair, renovate and re-lease space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. If our operating costs increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. As a result, if revenues decline,

we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes, insurance, loan payments and maintenance, generally will not be reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease. If we are unable to decrease operating costs when demand for our properties decreases and our revenues decline, our financial condition, results of operations and our ability to make distributions to our stockholders may be adversely affected.

High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent we are unable to refinance the properties when the loans become due, we will have fewer debt guarantee opportunities available to offer under our tax protection agreement.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

Some of our financing arrangements involve balloon payment obligations, which may adversely affect our ability to make distributions.

Some of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

Failure to hedge effectively against interest rate changes may adversely affect financial condition, results of operations, cash flow and per share trading price of our common stock.

Subject to maintaining our qualification as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate cap agreements or interest rate swap agreements. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be

expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes could materially adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, Derivative and Hedging.

Our proposed revolving credit facility will restrict our ability to engage in some business activities, including our ability to incur additional indebtedness, make capital expenditures and make certain investments, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

We anticipate that our proposed revolving credit facility will contain customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to make certain investments;
- limit our ability to make capital expenditures;
- restrict our ability to merge with another company;
- restrict our ability to make distributions to stockholders; and
- require us to maintain financial coverage ratios.

These limitations will restrict our ability to engage in some business activities, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock. In addition, our credit facility may contain specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default if we are in default under other loans in some circumstances.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, including the recent dislocations in the credit markets and general global economic downturn. These conditions, or similar conditions existing in the future, may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock as a result of the following potential consequences, among others:

- decreased demand for retail, office, mixed-use and multifamily space, which would cause market rental rates and property values to be negatively impacted;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and

refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense; and

- one or more lenders under our credit facility could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

In addition, the economic downturn has adversely affected, and may continue to adversely affect, the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our business and results of operations.

We are subject to risks that affect the general retail environment, such as weakness in the economy, the level of consumer spending, the adverse financial condition of large retailing companies and competition from discount and internet retailers, any of which could adversely affect market rents for retail space and the willingness or ability of retailers to lease space in our shopping centers.

A portion of our properties are in the retail real estate market. This means that we are subject to factors that affect the retail sector generally, as well as the market for retail space. The retail environment and the market for retail space have been, and could continue to be, adversely affected by weakness in the national, regional and local economies, the level of consumer spending and consumer confidence, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets and increasing competition from discount retailers, outlet malls, internet retailers and other online businesses. Increases in consumer spending via the internet may significantly affect our retail tenants' ability to generate sales in their stores. In addition, some of our retail tenants face competition from the expanding market for digital content and hardware, including without limitation electronic books, or "eBooks," and eBook readers and digital distribution of content. New and enhanced technologies, including new digital technologies and new web services technologies, may increase competition for certain of our retail tenants.

Any of the foregoing factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our shopping centers. In turn, these conditions could negatively affect market rents for retail space and could materially and adversely affect our financial condition, results of operations, cash flow, the trading price of our common shares and our ability to satisfy our debt service obligations and to pay distributions to our stockholders.

We have no operating history as a REIT or a publicly traded company and may not be able to successfully operate as a REIT or a publicly traded company.

We have no operating history as a REIT or a publicly traded company. We cannot assure you that the past experience of our senior management team will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements of the SEC, and comply with the Sarbanes-Oxley Act of 2002. Upon completion of this offering, we will be required to develop and implement control systems and procedures in order to qualify and maintain our qualification as a REIT and satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with New York Stock Exchange, or NYSE, listing standards, and this transition could place a significant strain on our management systems, infrastructure and other resources. Failure to operate successfully as a public company or maintain our qualification as a REIT would have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. See "—Risks Related to Our Status as a REIT—Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock."

We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, causing our financial condition, results of operations, cash flow and per share trading price of our common stock to be adversely affected.

To the extent adverse economic conditions continue in the real estate market and demand for retail, office, mixed-use and multifamily space remains low, we expect that, upon expiration of leases at our properties, we will be required to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could cause an adverse effect to our financial condition, results of operations, cash flow and per share trading price of our common stock.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time, which could negatively impact our ability to generate cash flow growth.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the California, Hawaii and Texas real estate markets, a general economic downturn and the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the asking rents across the properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain rental rates that are on average comparable to our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted. In addition, depending on asking rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

We are subject to the business, financial and operating risks inherent to the hospitality industry, including competition for guests with other hospitality properties and general and local economic conditions that may affect demand for travel in general, any of which could adversely affect the revenues generated by our hospitality properties.

Because we own the Waikiki Beach Walk—Embassy Suites™ in Hawaii and the Santa Fe Park RV Resort in California, we are susceptible to risks associated with the hospitality industry, including:

- competition for guests with other hospitality properties, some of which may have greater marketing and financial resources than the managers of our hospitality properties;
- increases in operating costs from inflation, labor costs (including the impact of unionization), workers' compensation and healthcare related costs, utility costs, insurance and other factors that the managers of our hospitality properties may not be able to offset through higher rates;
- the fluctuating and seasonal demands of business travelers and tourism, which seasonality may cause quarterly fluctuations in our revenues;
- general and local economic conditions that may affect demand for travel in general;
- periodic oversupply resulting from excessive new development; and
- unforeseen events beyond our control, such as terrorist attacks, travel-related health concerns, including pandemics and epidemics, imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns, including natural disasters such as earthquakes or wildfires.

If our hospitality properties do not generate sufficient revenues, our financial position, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay distributions to you may be adversely affected.

We must rely on third-party management companies to operate the Waikiki Beach Walk—Embassy Suites™ in order to qualify as a REIT under the Code, and, as a result, we will have less control than if we were operating the hotel directly.

In order for us to qualify as a REIT, we must lease the Waikiki Beach Walk—Embassy Suites™ to our services company, or one of its subsidiaries, or the TRS lessee, and a third party must operate our hotel. The TRS lessee will assume the existing management agreement with a third-party management company to operate the hotel. While we expect to have some input into operating decisions for the hotel leased by our TRS lessee and operated under a management agreement, we will have less control than if we were managing the hotel ourselves. Even if we believe that our hotel is not being operated efficiently, we may not have sufficient rights under the management agreement to enable us to force the management company to change its method of operation. We cannot assure you that the management company will successfully manage our hotel. A failure by the management company to successfully manage the hotel could lead to an increase in our operating expenses or a decrease in our revenue, or both, which could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to our stockholders.

If our relationship with the franchisor of the Waikiki Beach Walk—Embassy Suites™ was to deteriorate or terminate, it could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders.

We cannot assure you that disputes between us and the franchisor of the Waikiki Beach Walk—Embassy Suites™ will not arise. If our relationship with the franchisor were to deteriorate as a result of disputes regarding the franchise agreement under which our hotel operates and brand affiliation of our hotel property or for other reasons, the franchisor could, under certain circumstances, terminate our current license with them or decline to provide licenses for hotels that we may acquire in the future. If any of the foregoing were to occur, it could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders.

Our franchisor, Embassy Suites™, could cause us to expend additional funds on upgraded operating standards, which may adversely affect our results of operations and reduce cash available for distribution to stockholders.

Under the terms of our franchise license agreement, our hotel operator must comply with operating standards and terms and conditions imposed by the franchisor of the hotel brand, Embassy Suites™. Failure by us, our TRS lessees or any hotel management company that we engage to maintain these standards or other terms and conditions could result in the franchise license being canceled or the franchisor requiring us to undertake a costly property improvement program. If the franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we also may be liable to the franchisor for a termination payment, which, as of June 30, 2010, could be as high as approximately $6 million. In addition, our franchisor may impose upgraded or new brand standards, such as substantially upgrading the bedding, enhancing the complimentary breakfast or increasing the value of guest awards under its “frequent guest” program, which can add substantial expense for the hotel. Furthermore, under certain circumstances, the franchisor may require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial and may adversely affect our results of operations and reduce cash available for distribution to our stockholders.

Embassy Suites™, our franchiser, has a right of first offer with respect to the Waikiki Beach Walk—Embassy Suites™, which may limit our ability to obtain the highest price possible for the hotel.

Pursuant to the terms of our franchise agreement for Waikiki Beach Walk—Embassy Suites™, the franchisor has a right of first offer to purchase the hotel if we propose to sell all or a portion of the hotel. In the event that we choose to dispose of the hotel, we would be required to notify the franchisor, prior to offering the hotel to any other potential buyer, of the price and conditions on which we would be willing to sell the hotel, and the franchisor would have the right, within 60 days of receiving such notice, to make an offer to purchase the hotel. If the franchisor makes an offer to purchase that is equal to or greater than the price and on substantially the same terms set forth in our notice, then we will be obligated to sell the hotel to the franchisor at that price and on those terms. If the franchisor makes an offer to purchase for less than the price stated in our notice or on less favorable terms, then we may reject the franchisor’s offer. The existence of this right of first offer could adversely impact our ability to obtain the highest possible price for the hotel as, during the term of the franchise agreement, we would not be able to offer the hotel to potential purchasers through a competitive bid process or in a similar manner designed to maximize the value obtained for the property without first offering to sell this property to the franchisor. Note, however, that the franchisor has waived its right of first offer with respect to a transfer pursuant to the proposed formation transactions.

Our real estate development activities are subject to risks particular to development, such as unanticipated expenses, delays and other contingencies, any of which could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.

We may engage in development and redevelopment activities with respect to certain of our properties. To the extent that we do so, we will be subject to the following risks associated with such development and redevelopment activities:

- unsuccessful development or redevelopment opportunities could result in direct expenses to us;
- construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- contractor and subcontractor disputes, strikes, labor disputes or supply disruptions;
- failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;
- delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;
- occupancy rates and rents of a completed project may not be sufficient to make the project profitable;
- our ability to dispose of properties developed or redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and
- the availability and pricing of financing to fund our development activities on favorable terms or at all.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development or redevelopment activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

We did not conduct arm's-length negotiations with Mr. Rady with respect to the terms of the formation transactions, and we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. Accordingly, the value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined net tangible book value of approximately $126.6 million as of June 30, 2010.

We did not conduct arm's-length negotiations with Mr. Rady with respect to the terms of the formation transactions, and in the course of structuring the formation transactions, Mr. Rady had the ability to influence the type and level of benefits that he and the Rady Trust will receive from us. Moreover, we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. The value of the cash, common units and shares of our common stock that we will pay or issue as consideration for the properties and assets that we will acquire will increase or decrease if our common stock is priced above or below the mid-point of the estimated price range set forth on the cover of this prospectus. The initial public offering price of our common stock will be determined in consultation

with the underwriters. Among other factors that will be considered in determining the initial public offering price of our common stock are the history and prospects for the industry in which we compete, our results of operations, the ability of our management, our business potential and earning prospects, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the prevailing securities markets at the time of this offering, the recent market prices of, and the demand for, publicly traded shares of companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to the book value or the fair market value of such assets. As a result, the price to be paid by us for the acquisition of the assets in the formation transactions may exceed the fair market value of those assets. The aggregate historical combined net tangible book value of our Predecessor was approximately $126.6 million as of June 30, 2010.

Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Rady, Chamberlain and Barton, who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity. Among the reasons that these individuals are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. If we lose their services, our relationships with such personnel could diminish.

Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying opportunities, having opportunities brought to us and negotiating with tenants and build-to-suit prospects. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry participants, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Mr. Rady will continue to be involved in outside businesses, which may interfere with his ability to devote time and attention to our business and affairs.

We will rely on our senior management team, including Mr. Rady, for the day-to-day operations of our business. Our employment agreement with Mr. Rady will require him to devote a substantial portion of his business time and attention to our business. Following the completion of this offering, however, Mr. Rady will continue to serve as chairman of the board of directors and president of American Assets, Inc. and chairman of the board of directors of Insurance Company of the West. As such, Mr. Rady will have certain ongoing duties to American Assets, Inc. and Insurance Company of the West that could require a portion of his time and attention. Although we expect that Mr. Rady will devote a substantial majority of his business time and attention to us, we cannot accurately predict the amount of time and attention that will be required of Mr. Rady to perform such ongoing duties. To the extent that Mr. Rady is required to dedicate time and attention to American Assets, Inc. and/or Insurance Company of the West, his ability to devote a substantial majority of his business time and attention to our business and affairs may be limited and could adversely affect our operations.

Upon the completion of this offering and our formation transactions, we may be subject to on-going litigation, which could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

Upon the completion of this offering and our formation transactions, we may be subject to on-going litigation, including existing claims relating to American Assets, Inc. or the entities that own the properties and

operate the businesses described in this prospectus and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of currently asserted claims or of those that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors. American Assets, Inc., the Rady Trust and Mr. Rady are subject to on-going litigation, alleging, among other things, that Mr. Rady breached his fiduciary duties to the plaintiffs in his capacity as an officer, director and controlling shareholder of American Assets, Inc. The claims brought by the various plaintiffs include direct and derivative claims for an accounting, injunctive and declaratory relief, and involuntary dissolution of American Assets, Inc., in addition to claims for an unspecified amount of damages.

Potential losses from earthquakes in California and Hawaii may not be covered by insurance.

Many of the properties we currently own are located in California and Hawaii, which are areas especially subject to earthquakes. While we will carry earthquake insurance on certain of our properties in Hawaii, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes and will be subject to limitations involving large deductibles or co-payments. In addition, we may reduce or discontinue earthquake insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. As a result, in the event of an earthquake, we may be required to incur significant costs, and, to the extent that a loss exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties. For example, if we experienced a substantial or comprehensive loss of Torrey Reserve Campus in San Diego, California, reconstruction could be delayed or prevented by the California Coastal Commission, which regulates land use in the California coastal zone.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.

We may co-invest in the future with other third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. Consequently, with respect to any such arrangement we may enter into in the future, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our

business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in the current volatile credit market, the refinancing of such debt may require equity capital calls.

Increased competition and increased affordability of residential homes could limit our ability to retain our residents, lease apartment homes or increase or maintain rents at our multifamily apartment communities.

Our multifamily apartment communities compete with numerous housing alternatives in attracting residents, including other multifamily apartment communities and single-family rental homes, as well as owner occupied single- and multifamily homes. Competitive housing in a particular area and an increase in the affordability of owner occupied single and multifamily homes due to, among other things, declining housing prices, oversupply, mortgage interest rates and tax incentives and government programs to promote home ownership, could adversely affect our ability to retain residents, lease apartment homes and increase or maintain rents.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability, among other things, to meet our capital and operating needs or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

In order to maintain our qualification as a REIT, we are required under the Internal Revenue Code of 1986, or the Code, among other things, to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party sources to fund our capital needs. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market’s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

Recently, the capital markets have been subject to significant disruptions. If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and the real estate industry, including local oversupply, reduction in demand or adverse changes in financial conditions of buyers, sellers and tenants of properties, which could decrease revenues or increase costs, which would adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under "—Risks Related to Our Business and Operations," as well as the following:

- local oversupply or reduction in demand for retail, office, mixed-use or multifamily space;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options, and the need to periodically repair, renovate and re-let space;
- increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;
- a favorable interest rate environment that may result in a significant number of potential residents of our multifamily apartment communities deciding to purchase homes instead of renting;
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs;
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured or underinsured losses;
- decreases in the underlying value of our real estate;
- changing submarket demographics; and
- changing traffic patterns.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to certain limitations imposed by our tax protection agreement, as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the current economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our property taxes could increase due to property tax rate changes or reassessment, which would adversely impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. All of the properties in our portfolio that are located in California will be reassessed as a result of this offering and the formation transactions. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be adversely impacted, and our ability to pay any expected dividends to our stockholders could be adversely affected.

As an owner of real estate, we could incur significant costs and liabilities related to environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise

from spills of petroleum or hazardous substances or releases from tanks used to store such materials. For example, Del Monte Center is currently undergoing remediation of dry cleaning solvent contamination from a former onsite dry cleaner. The prior owner of Del Monte Center entered into a fixed fee environmental services agreement in 1997 pursuant to which the remediation will be completed for approximately $3.5 million, with the remediation costs paid for through an escrow funded by the prior owner. We expect that the funds in this escrow account will cover all remaining costs and expenses of the environmental remediation. However, if the Regional Water Quality Control Board – Central Coast Region were to require further work costing more than the remaining escrowed funds, we could be required to pay such overage although we may have a claim for such costs against the prior owner or our environmental remediation consultant. See "Business and Properties—Regulation—Environmental Matters." In addition to the foregoing, we possess Phase I Environmental Site Assessments for certain of the properties in our portfolio. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations or hazardous materials survey) and may have failed to identify all environmental conditions or concerns. Furthermore, we do not have Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our portfolio. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As the owner of the buildings on our properties, we could face liability for the presence of hazardous materials (e.g., asbestos or lead) or other adverse conditions (e.g., poor indoor air quality) in our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance. Also, we could be liable to third parties (e.g., occupants of the buildings) for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. In addition, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us, and changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to you or that such costs or other remedial measures will not have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act, or ADA, and the Fair Housing Amendment Act of 1988, or FHAA**,** impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow and per share trading price of our common stock.

Risks Related to Our Organizational Structure

Upon completion of this offering and the formation transactions, Ernest S. Rady and his affiliates, directly or indirectly, will own a substantial beneficial interest in our company on a fully diluted basis and will have the ability to exercise significant influence on our company and our operating partnership, including the approval of significant corporate transactions.

Upon completion of this offering and the formation transactions, Mr. Rady and his affiliates will own approximately % of our outstanding common stock and % of our outstanding common units, which represents an approximately % beneficial interest in our company on a fully diluted basis. Consequently, Mr. Rady may be able to significantly influence the outcome of matters submitted for stockholder action, including the approval of significant corporate transactions, including business combinations, consolidations and mergers. In addition, we may not, without prior limited partner approval, directly or indirectly transfer all or any portion of our interest in the operating partnership before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. See “Description of the Partnership Agreement of American Assets Trust, L.P.—Restrictions on Transfers by the General Partner.” As a result, Mr. Rady has substantial influence on us and could exercise his influence in a manner that conflicts with the interests of other stockholders.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Maryland law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company.

Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistently with the obligation of good faith and fair dealing. The partnership agreement provides that, in the event of a conflict between the interests of our operating partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our operating partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of the operating partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our operating partnership, owe to the operating partnership and its partners.

Additionally, the partnership agreement provides that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Our operating partnership must indemnify us, our directors and officers, officers of our operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

We may assume unknown liabilities in connection with our formation transactions, and any recourse against third parties, including the prior investors in our assets, for certain of these liabilities will be limited.

As part of our formation transactions, we will acquire entities and assets that are subject to existing liabilities, some of which may be unknown or unquantifiable at the time this offering is completed. These

liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with our predecessor entities (that had not been asserted or threatened prior to this offering), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances we may have the right to seek reimbursement against an insurer, any recourse against third parties, including the prior investors in our assets, for certain of these liabilities will be limited. There can be no assurance that we will be entitled to any such reimbursement or that ultimately we will be able to recover in respect of such rights for any of these historical liabilities.

Our charter and bylaws, the partnership agreement of our operating partnership and Maryland law contain provisions that may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Our charter contains certain ownership limits with respect to our stock. Our charter, subject to certain exceptions, authorizes our board of directors to take such actions as it determines are advisable to preserve our qualification as a REIT. Our charter also prohibits the actual, beneficial or constructive ownership by any person of more than % in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than % in value of the aggregate outstanding shares of all classes and series of our stock, excluding any shares that are not treated as outstanding for federal income tax purposes. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied. Our board of directors will, upon completion of this offering, grant to Mr. Rady (and certain affiliates) an exemption from the ownership limits, subject to various conditions and limitations. See "Description of Securities—Restrictions on Ownership and Transfer." The restrictions on ownership and transfer of our stock may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; or
- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval. Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. See "Description of Securities—Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock." As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that

otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price and/or supermajority and stockholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the MGCL, our board of directors has, by board resolution, elected to opt out of the business combination provisions of the MGCL. However, we cannot assure you that our board of directors will not opt to be subject to such business combination provisions of the MGCL in the future.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elect, at such time as we become eligible to do so, to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors. See "Material Provisions of Maryland Law and of Our Charter and Bylaws."

Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisitions of us. Provisions in the partnership agreement of our operating partnership may delay, or make more difficult, unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;

- a requirement that we may not be removed as the general partner of our operating partnership without our consent;

- transfer restrictions on common units;

- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners; and

- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

In particular, we may not, without prior "partnership approval," directly or indirectly transfer all or any portion of our interest in our operating partnership, before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. The "partnership approval" requirement is satisfied, with respect to such a transfer, when the sum of (1) the percentage interest of limited partners consenting to the transfer of our interest, plus (2) the product of (a) the percentage of the outstanding common units held by us multiplied by (b) the percentage of the votes that were cast in favor of the event by our common stockholders equals or exceeds the percentage required for our common stockholders to approve the event resulting in the transfer. Upon completion of this offering and the formation transactions, the limited partners, including Mr. Rady and his affiliates and our other executive officers, will own approximately % of our outstanding common units and approximately % of our outstanding common stock, which represents an approximately % beneficial interest in our company on a fully diluted basis.

Our charter and bylaws, the partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest. See "Description of the Partnership Agreement of American Assets Trust, L.P.—Restrictions on Transfers by the General Partner," "Material Provisions of Maryland Law and of Our Charter and Bylaws—Removal of Directors," "—Control Share Acquisitions," "—Advance Notice of Director Nominations and New Business" and "Description of the Partnership Agreement of American Assets Trust, L.P."

Tax protection agreements could limit our ability to sell or otherwise dispose of certain properties, even though a sale or disposition may otherwise be in our stockholders' best interest.

In connection with the formation transactions, we will enter into tax protection agreements with certain limited partners of our operating partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, that provide that if we dispose of any interest with respect to Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza portion of Torrey Reserve Campus, which we collectively refer to as the tax protected properties, in a taxable transaction during the period from the closing of the offering through the seventh anniversary of such closing, we will indemnify such limited partners for their tax liabilities attributable to their share of the built-in gain that exists with respect to such property interest as of the time of this offering and tax liabilities incurred as a result of the reimbursement payment; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. Notwithstanding the foregoing the operating partnership's indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. The tax protected properties represented 34.0% of our portfolio's annualized base rent as of June 30, 2010 and including total revenue for Waikiki Beach Walk – Embassy Suites™ for the 12 months ended June 30, 2010. We have no present intention to sell or otherwise dispose of the properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment). In addition, although it may otherwise be in our stockholders' best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.

Our tax protection agreements may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Our tax protection agreements will provide that during the period from the closing of the offering through the seventh anniversary of such closing, our operating partnership will offer certain holders of common units the opportunity to guarantee its debt, and following such period, our operating partnership will use

commercially reasonable efforts to provide such prior investors with debt guarantee opportunities. We will be required to indemnify such holders for their tax liabilities resulting from our failure to make such opportunities available to them (and any tax liabilities incurred as a result of the indemnity payment). Notwithstanding the foregoing the operating partnership's indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. Subject to certain exceptions and limitations, such holders' rights to guarantee opportunities will terminate for any given holder that sells, exchanges or otherwise disposes of more than 50% of his or her common units. See "Certain Relationships and Related Transactions—Tax Protection Agreement." We agreed to these provisions in order to assist certain prior investors in deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

We may pursue less vigorous enforcement of terms of the contribution and/or merger and other agreements with members of our senior management and our affiliates because of our dependence on them and conflicts of interest.

Each of Ernest S. Rady, our Executive Chairman, John W. Chamberlain, our Chief Executive Officer, and an affiliate of Robert F. Barton, our Executive Vice President and Chief Financial Officer, are parties to or have interests in contribution and/or merger agreements with us pursuant to which we have acquired or will acquire interests in our properties and assets. In addition, certain of our executive officers may become parties to employment agreements with us, and the Rady Trust has entered into a representation, warranty and indemnity agreement with us pursuant to which it made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationships with members of our senior management and their affiliates, with possible negative impact on stockholders.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited.

We are a holding company with no direct operations and, as such, we will rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.

We are a holding company and will conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we will rely on distributions from our operating partnership to pay any dividends we might declare on shares of our common stock. We will also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Our operating partnership may issue additional partnership units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and would have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

After giving effect to this offering, we will own % of the outstanding common units and we may, in connection with our acquisition of properties or otherwise, issue additional partnership units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Because you will not directly own partnership units, you will not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

Our operating structure subjects us to the risk of increased hotel operating expenses.

Our lease with our TRS lessee will require our TRS lessee to pay us rent based in part on revenues from the Waikiki Beach Walk—Embassy Suites™. Our operating risks include decreases in hotel revenues and increases in hotel operating expenses, which would adversely affect our TRS lessee's ability to pay us rent due under the lease, including but not limited to the increases in:

- wage and benefit costs;
- repair and maintenance expenses;
- energy costs;
- property taxes;
- insurance costs; and
- other operating expenses.

Increases in these operating expenses can have an adverse impact on our financial condition, results of operations, the market price of our common stock and our ability to make distributions to our stockholders.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock.

We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2010. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, and the statements in the prospectus are not binding on the IRS or any court. Therefore, we cannot assure you that we will qualify as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could materially and adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as “rents from real property.” Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions they operate.

If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership will be treated as a partnership for federal income tax purposes. As a partnership, our operating partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its

share of our operating partnership's income. We cannot assure you, however, that the IRS will not challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Our ownership of taxable REIT subsidiaries will be limited, and we will be required to pay a 100% penalty tax on certain income or deductions if our transactions with our taxable REIT subsidiaries are not conducted on arm's length terms.

We will own an interest in one or more taxable REIT subsidiaries, including our TRS lessee, and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a 100% excise tax will be imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's length basis.

A REIT's ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset tests applicable to REITs. Not more than 25% of our total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries), other than those securities includable in the 75% asset test. We anticipate that the aggregate value of the stock and securities of our taxable REIT subsidiaries and other nonqualifying assets will be less than 25% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with our taxable REIT subsidiaries to ensure that they are entered into on arm's length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% limitation or to avoid application of the 100% excise tax discussed above.

To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our

growth potential, our current debt levels, the market price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

We may in the future choose to pay dividends in our common stock, in which case you may be required to pay tax in excess of the cash you receive.

We may distribute taxable dividends that are payable in our stock. Under recent IRS guidance, up to 90% of any such taxable dividend with respect to calendar years through 2011, and in some cases declared as late as December 31, 2012, could be payable in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. For more information on the tax consequences of distributions with respect to our common stock, see “Federal Income Tax Considerations.” Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, such sales may have an adverse effect on the per share trading price of our common stock.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from “qualified dividends” payable to U.S. stockholders that are individuals, trusts and estates has been reduced by legislation to 15% (through the end of 2010). Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the reduced rates continue to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our common stock.

The tax imposed on REITs engaging in “prohibited transactions” may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.

A REIT’s net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to

stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

Legislative or other actions affecting REITs could have a negative effect on us, including our ability to qualify as a REIT or the federal income tax consequences of such qualification.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification.

Risks Related to this Offering

There has been no public market for our common stock prior to this offering and an active trading market for our common stock may not develop following this offering.

Prior to this offering, there has not been any public market for our common stock, and there can be no assurance that an active trading market will develop or be sustained or that shares of our common stock will be resold at or above the initial public offering price. We intend to apply to have our common stock listed on the NYSE under the symbol “AAT.” The initial public offering price of our common stock has been determined by agreement among us and the underwriters, but there can be no assurance that our common stock will not trade below the initial public offering price following the completion of this offering. See “Underwriting.” The market value of our common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for our common stock following the completion of this offering, the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions.

We may be unable to make distributions at expected levels, which could result in a decrease in the market price of our common stock.

Our estimated initial annual distributions represent % of our estimated initial cash available for distribution for the 12 months ending June 30, 2011 as calculated in “Distribution Policy.” Accordingly, we may be unable to pay our estimated initial annual distribution to stockholders out of cash available for distribution. If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, or reduce the amount of such distributions. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than our current estimate, or if such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock. In the event the underwriters’ overallotment option is exercised, pending investment of the proceeds therefrom, our ability to pay such distributions out of cash from our operations may be further materially adversely affected.

Our ability to make distributions may also be limited by our proposed revolving credit facility. We expect that under the terms of the revolving credit facility we intend to enter into in connection with the completion of this offering, our ability to make distributions will be limited to the greater of (1) an amount to be agreed upon with our lenders or (2) the amount required for us to qualify and maintain our status as a REIT. We also expect that if a default or event of default occurs and is continuing under this credit facility, we may be precluded from making certain distributions (other than those required to allow us to qualify and maintain our status as a REIT).

All distributions will be made at the discretion of our board of directors and will be based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could result in a decrease in the market price of our common stock.

Some of our distributions may include a return of capital for federal income tax purposes.

Some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes to the extent of the holder's adjusted tax basis in its shares, and thereafter as gain on a sale or exchange of such shares. See "Federal Income Tax Considerations—Federal Income Tax Considerations for Holders of Our Common Stock."

Messrs. Rady, Chamberlain and Barton will receive benefits in connection with this offering, which create a conflict of interest because they have interests in the successful completion of this offering that may influence their decisions affecting the terms and circumstances under which the offering and formation transactions are completed.

In connection with this offering and our formation transactions, Messrs. Rady, Chamberlain and Barton will receive shares of our common stock and common units, representing a % beneficial interest on a fully diluted basis, and cash payments in the amount of approximately $, representing repayment of existing indebtedness encumbering two properties and the return of working capital. These transactions create a conflict of interest because Messrs. Rady, Chamberlain and Barton have interests in the successful completion of this offering. These interests may influence their decisions, affecting the terms and circumstances under which this offering and the formation transactions are completed. For more information concerning benefits to be received by Messrs. Rady, Chamberlain and Barton in connection with this offering, see "Structure and Formation of Our Company—Consequences of This Offering and the Formation Transactions" and "Certain Relationships and Related Transactions."

Affiliates of our underwriters will receive benefits in connection with this offering, which creates a potential conflict of interest because they have interests in the successful completion of this offering that may influence their decisions affecting the terms and circumstances under which the offering and formation transactions are completed.

We expect that affiliates of our underwriters will participate as lenders under our proposed $ million revolving credit facility. We expect that, under this facility, an affiliate of will act as administrative agent and joint arranger, and an affiliate of will act as syndication agent and joint arranger. Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, are lenders under two outstanding loans totaling approximately $31.6 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. Additionally, affiliates of Wells Fargo Securities, LLC, another underwriter in this offering, are lenders under three outstanding loans totaling approximately $44.8 million in the aggregate, each of which will be repaid with a portion of the proceeds of this

offering. As such, these affiliates will receive the portion of the net proceeds of this offering that are used to repay such indebtedness. These transactions create potential conflicts of interest because the underwriters have an interest in the successful completion of this offering beyond the underwriting discounts and commissions they will receive. These interests may influence the decision regarding the terms and circumstances under which the offering and formation transactions are completed.

The market price and trading volume of our common stock may be volatile following this offering.

Even if an active trading market develops for our common stock, the per share trading price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the per share trading price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the per share trading price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;

- failure to meet and maintain REIT qualifications;
- changes in our credit ratings; and
- general market and economic conditions.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

We may use a portion of the net proceeds from this offering to make distributions to our stockholders, which would, among other things, reduce our cash available to acquire properties and may reduce the returns on your investment in our common stock.

Prior to the time we have fully invested the net proceeds of this offering, we may fund distributions to our stockholders out of the net proceeds of these offerings, which would reduce the amount of cash we have available to acquire properties and may reduce the returns on your investment in our common stock. The use of these net proceeds for distributions to stockholders could adversely affect our financial results. In addition, funding distributions from the net proceeds of this offering may constitute a return of capital to our stockholders, which would have the effect of reducing each stockholder's tax basis in our common stock.

Differences between the book value of the assets to be acquired in the formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock.

As of June 30, 2010, the aggregate historical combined net tangible book value of our Predecessor was approximately $126.6 million, or $ per share of our common stock held by the prior investors, assuming the exchange of common units into shares of our common stock on a one-for-one basis. As a result, the pro forma net tangible book value per share of our common stock after the completion of this offering and the formation transactions will be less than the initial public offering price. The purchasers of shares of our common stock offered hereby will experience immediate and substantial dilution of $ per share in the pro forma net tangible book value per share of our common stock.

Increases in market interest rates may have an adverse effect on the value of our common stock as prospective purchasers of our common stock may expect a higher dividend yield and as an increased cost of borrowing may decrease our funds available for distribution.

One of the factors that will influence the price of our common stock will be the dividend yield on the common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher dividend yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

The number of shares of our common stock available for future issuance or sale could adversely affect the per share trading price of our common stock.

We are offering shares of our common stock as described in this prospectus. Upon completion of this offering and the formation transactions, we will have outstanding approximately shares of our common stock. Of these shares, the shares sold in this offering will be freely tradable, except for any shares purchased in this offering by our affiliates, as that term is defined by Rule 144 under the Securities Act.

Upon completion of this offering and the formation transactions, Mr. Rady and our other directors and management and their affiliates, together with third party prior investors, will beneficially own shares of our outstanding common stock. Each of the prior investors and our management and directors may sell the shares of our common stock that they acquire in the formation transactions or are granted in connection with the offering at any time following the expiration of the lock-up periods for such shares, which expire from 180-365 days after the date of this prospectus, or earlier with the prior written consent of Merrill Lynch, Pierce Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated.

We cannot predict whether future issuances or sales of shares of our common stock or the availability of shares for resale in the open market will decrease the per share trading price per share of our common stock. The per share trading price of our common stock may decline significantly when the restrictions on resale by certain of our stockholders lapse or upon the registration of additional shares of our common stock pursuant to registration rights granted in connection with this offering.

The issuance of substantial numbers of shares of our common stock in the public market, or upon exchange of common units, or the perception that such issuances might occur could adversely affect the per share trading price of the shares of our common stock.

The exercise of the underwriters' overallotment option, the exchange of common units for common stock or the vesting of any restricted stock granted to certain directors, executive officers and other employees under our 2010 Equity Incentive Award Plan, the issuance of our common stock or common units in connection with future property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the per share trading price of our common stock, and the existence of units, options or shares of our common stock issuable under our 2010 Equity Incentive Award Plan or upon exchange of common units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future issuances of shares of our common stock may be dilutive to existing stockholders.

Future offerings of debt or equity securities, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the per share trading price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities (or causing our operating partnership to issue debt securities), including medium-term notes, senior or subordinated notes and classes or series of preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will be entitled to receive our available assets prior to distribution to the holders of our common stock. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability pay dividends to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future.

FORWARD-LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in our markets;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;
- on-going litigation;
- difficulties in identifying properties to acquire and completing acquisitions;
- our failure to successfully operate acquired properties and operations;
- fluctuations in interest rates and increased operating costs;
- risks related to joint venture arrangements;
- our failure to obtain necessary outside financing;
- general economic conditions;
- financial market fluctuations;
- risks that affect the general retail environment;
- the competitive environment in which we operate;
- decreased rental rates or increased vacancy rates;
- conflicts of interests with our officers;
- lack or insufficient amounts of insurance;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- other factors affecting the real estate industry generally;
- our failure to maintain our status as a REIT;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled "Risk Factors."

USE OF PROCEEDS

After deducting the underwriting discount and commissions and estimated expenses of this offering and the formation transactions, we expect net proceeds from this offering of approximately $ million, or approximately $ million if the underwriters' overallotment option is exercised in full, in each case assuming an initial public offering price of $ per share, which is the mid-point of the range set forth on the cover of this prospectus.

We intend to contribute the net proceeds of this offering to our operating partnership in exchange for common units and our operating partnership will use the net proceeds received from us as described below:

- approximately $341.4 million to repay in full the outstanding indebtedness described in the table below, including applicable prepayment costs, exit fees and defeasance costs of $24.3 million;

Debt Repaid	June 30, 2010 Principal Balance (in millions)	Effective Interest Rate (June 30, 2010)	Interest Rate	Maturity Date
Valencia Corporate Center—Construction[1]	$ 7.8	4.500%	LIBOR + 3.000%	11/1/10
Waikele Center—Unsecured	10.5	4.110%	LIBOR + 3.750%	2/15/11
Valencia Corporate Center—First	15.8	6.520%	6.520%	10/1/12
Valencia Corporate Center—Unsecured[2]	0.3	6.000%	6.000%	Upon demand
160 King Street—Second	8.5	1.895%	LIBOR + 1.550%	11/1/12
Waikiki Beach Walk—Retail—First	15.4	5.375%	5.375%	2/8/13
Carmel Country Plaza—First	10.3	7.365%	7.365%	1/2/13
Santa Fe Park RV Resort—First	1.9	7.335%	7.365%	1/2/13
Del Monte Center—Unsecured[3]	4.9	10.000%	10.000%	3/1/13
Lomas Santa Fe Plaza—First	19.8	6.934%	6.934%	5/1/13
Torrey Reserve—South Court—First	13.0	6.884%	6.884%	5/1/13
Carmel Mountain Plaza—First	63.6	5.520%	5.520%	6/1/13
The Landmark at One Market—Debt Buyout[4]	23.0	2.338%	LIBOR + 2.000%	7/1/13[5]
160 King Street—First	33.7	5.680%	5.680%	5/1/14
The Shops at Kalakaua—First	19.0	5.449%	5.449%	5/1/15
Waikiki Beach Walk—Embassy Suites™—First	53.0	4.104%	LIBOR + 3.750%	6/1/15
Torrey Reserve—Daycare	1.7	6.500%	6.500%	6/1/19
Waikiki Beach Walk—Embassy Suites™—Unsecured	14.9	0.000%	0.000%	6/1/20

(1) Interest rate has a floor of 4.50%.
(2) Mr. Rady has a beneficial interest in this debt and will indirectly receive approximately $30,000 in repayment of this debt.
(3) Mr. Rady has a beneficial interest in this debt and will indirectly receive approximately $3.8 million in repayment of this debt.
(4) This debt was incurred in connection with the acquisition of the outside ownership interest in Landmark on June 30, 2010.
(5) $4 million of this debt has a maturity date of December 31, 2010. The remaining portion matures on July 1, 2013.

- approximately $13.2 million to purchase the approximately 80,000 square foot building vacated by Mervyn's located in Carmel Mountain Plaza;
- up to $8.5 million for tenant improvements and leasing commissions at The Landmark at One Market;
- approximately $ million to pay non-accredited prior investors in connection with the formation transactions;
- up to $2.0 million to pay costs related to the renovation of Solana Beach Towne Centre; and
- the remainder for general corporate purposes, including future acquisitions and, potentially, paying distributions.

Pending application of cash proceeds, we will invest the net proceeds in interest-bearing accounts, money market accounts and interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT. Such investments may include, for example, government and government agency certificates, government bonds, certificates of deposit, interest-bearing bank deposits, money market accounts and mortgage loan participations.

See our pro forma financial statements contained elsewhere in this prospectus for additional detail regarding the use of proceeds.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, are lenders under two outstanding loans totaling approximately $31.6 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. Additionally, affiliates of Wells Fargo Securities, LLC, another underwriter in this offering, are lenders under three outstanding loans totaling approximately $44.8 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. As such, these affiliates will receive the portion of the net proceeds of this offering that are used to repay such indebtedness.

DISTRIBUTION POLICY

We intend to pay regular quarterly dividends to holders of our common stock. We intend to pay a pro rata initial dividend with respect to the period commencing on the completion of this offering and ending , based on $ per share for a full quarter. On an annualized basis, this would be $ per share, or an annual distribution rate of approximately % based on an estimated initial public offering price at the mid-point of the range set forth on the cover of this prospectus. We estimate that this initial annual distribution rate will represent approximately % of estimated cash available for distribution for the 12 months ending June 30, 2011. Our intended initial annual distribution rate has been established based on our estimate of cash available for distribution for the 12 months ending June 30, 2011, which we have calculated based on adjustments to our pro forma income before non-controlling interests for the 12 months ended December 31, 2009. This estimate was based on our Predecessor's historical operating results and does not take into account our growth strategy. In estimating our cash available for distribution for the 12 months ending June 30, 2011, we have made certain assumptions as reflected in the table and footnotes below.

Our estimate of cash available for distribution does not include the effect of any changes in our working capital resulting from changes in our working capital accounts. Our estimate also does not reflect the amount of cash estimated to be used for investing activities for acquisition and other activities, other than a reserve for recurring capital expenditures, and amounts estimated for leasing commissions and tenant improvements for renewing space. It also does not reflect the amount of cash estimated to be used for financing activities, other than scheduled loan principal payments on mortgage and other indebtedness that will be outstanding upon completion of this offering. Any such investing and/or financing activities may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and have estimated cash available for distribution for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make other distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future dividends or other distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Dividends and other distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below. We may in the future also choose to pay dividends in shares of our own stock. See "Material U.S. Federal Income Tax Considerations—Federal Income Tax Considerations for Holders of Our Common Stock—Taxation of Taxable U.S. Stockholders" and "Risk Factors—Risks Related to Our Status as a REIT—We may in the future choose to pay dividends in shares of our own stock, in which case you may be required to pay tax in excess of the cash you receive." We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected dividends per share if the underwriters' over-allotment option is exercised; however, this could require us to pay dividends from net offering proceeds.

We anticipate that, at least initially, our distributions will exceed our then current and accumulated earnings and profits as determined for U.S. federal income tax purposes due to the write-off of prepayment fees paid with offering proceeds and non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, a portion of these distributions may represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated by us as a distribution will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder's adjusted tax basis in his or her common stock, but

rather will reduce the adjusted basis of the common stock. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder's adjusted tax basis in his or her common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. We expect to pay our first dividend in , 2010, which will include a payment with respect to the period commencing on the completion of this offering and ending , 2010. We expect that % of our estimated initial dividend will represent a return of capital for the tax period ending December 31, 2010. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see "Federal Income Tax Considerations."

We cannot assure you that our estimated dividends will be made or sustained or that our board of directors will not change our distribution policy in the future. Any dividends or other distributions we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors."

Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income including capital gains. In addition, a REIT will be required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. For more information, please see "Federal Income Tax Considerations." We anticipate that our estimated cash available for distribution will be sufficient to enable us to meet the annual distribution requirements applicable to REITs and to avoid or minimize the imposition of corporate and excise taxes. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements or to avoid or minimize the imposition of tax and we may need to borrow funds to make some distributions.

The following table describes our pro forma net income for the 12 months ended December 31, 2009 and the adjustments we have made thereto in order to estimate our initial cash available for distribution for the 12 months ending June 30, 2011 (dollars in thousands except per share amounts):

Pro forma net income (loss) for the twelve months ended December 31, 2009	$19,046
Less: pro forma net income for the six months ended June 30, 2009	(9,835)
Add: pro forma net income for the six months ended June 30, 2010	7,775
Pro forma net income (loss) for the twelve months ended June 30, 2010	16,986
Add: pro forma real estate depreciation and amortization	51,296
Add: non-cash interest expense(1)	4,789
Less: net effect of straight-line rents(2)	(2,341)
Add: net effect of above/(below) market lease intangible amortization(2)	1,326
Add: net increases in contractual rent income for retail properties(3)	2,984
Add: net increases in contractual rent income for office properties(3)	4,781
Add: net increases in contractual rent income for mixed-use properties(3)	99
Less: net decreases in contractual rent income due to lease expirations for retail properties, assuming no renewals(4)	(2,179)
Less: net decreases in contractual rent income due to lease expirations for office properties, assuming no renewals(4)	(8,612)
Less: net decreases in contractual rent income due to lease expirations for mixed-use properties, assuming no renewals(4)	0
Add: non-cash compensation expense(5)	
Estimated cash flow from operating activities for the twelve months ending June 30, 2011	$
Estimated cash flows used in investing activities	
Less: contractual obligations for retail property tenant improvements and leasing commissions(6)	1,526
Less: contractual obligations for office property tenant improvements and leasing commissions(6)	1,129
Less: contractual obligations for mixed-use property tenant improvements and leasing commissions(6)	0
Less: estimated annual provision for recurring retail property capital expenditures(7)	457
Less: estimated annual provision for recurring office property capital expenditures(8)	279
Less: estimated annual provision for recurring mixed-use property capital expenditures(9)	309
Less: estimated annual provision for recurring multifamily property capital expenditures(10)	425
Total estimated cash flows used in investing activities	
Estimated cash flows used in financing activities—scheduled principal payments(11)	$ 2,965
Estimated cash available for distribution for the twelve months ending June 30, 2011	$
Our share of estimated cash available for distribution(12)	$
Non-controlling partnership interests' share of estimated cash available for distribution	
Total estimated initial annual distribution to stockholders	
Estimated initial annual distribution per share(13)	$
Payout ratio based on our share of estimated cash available for distribution(14)	

(1) Represents one year of non-cash interest expense associated with loan fair value adjustments and one year of amortization of deferred financing costs associated with our proposed revolving credit facility.
(2) Represents the conversion of estimated rental revenues on in-place leases for the 12 months ended June 30, 2010 from a GAAP basis to a cash basis of recognition.
(3) Represents net increases in contractual rental income net of expenses and contractual rent abatements from existing leases and from new leases and renewals that were not in effect for the entire 12-month period ended June 30, 2010 or that will go into effect during the 12 months ending June 30, 2011 based upon leases entered into through September 8, 2010. Also assumes continuation of month-to-month leases that have been in place for more than 60 months.

(4) Assumes no lease renewals or new leases (other than month-to-month leases in place for longer than 60 months) for leases expiring after June 30, 2010 unless a new or renewal lease had been entered into by September 8, 2010, or such tenant was under a month-to-month lease as of June 30, 2010.

(5) Represents non-cash compensation expense related to restricted stock granted to our officers and non-employee directors.

(6) Reflects contractual obligations for tenant improvement costs and leasing commissions for the 12 months ending June 30, 2011. In connection with the execution of new leases with salesforce.com and Autodesk, Inc. at The Landmark at One Market, we agreed to pay leasing commissions of $429,000 and to make certain tenant improvements that we anticipate will cost approximately $8.0 million to complete. As described under "Use of Proceeds," we intend to pay these amounts out of a portion of the proceeds of this offering and not cash flow from operating activities.

(7) For the 12 months ending June 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the properties in our retail portfolio is approximately $457, based on the weighted average annual capital expenditures costs of $0.15 per square foot at the properties in our retail portfolio incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, multiplied by 2,950,973 rentable square feet in our retail portfolio. The following table sets forth certain information regarding historical capital expenditures at the properties in our retail portfolio through June 30, 2010:

	Year Ended December 31,			Six Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	June 30, 2010	June 30, 2010
Recurring capital expenditures (in thousands)	$ 501	$1,020	$ 13	$ 63	
Total rentable square feet	2,937	2,951	2,951	2,951	
Recurring capital expenditure per square foot	$ 0.17	$ 0.35	$ —	$ 0.02	$ 0.15

(8) For the 12 months ending June 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the wholly owned properties in our office portfolio is approximately $279, based on the weighted average annual capital expenditures costs of $0.19 per square foot at the wholly owned properties in our office portfolio incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, multiplied by 1,452,820 rentable square feet in our wholly owned office portfolio. The following table sets forth certain information regarding historical capital expenditures at the wholly owned properties in our office portfolio through June 30, 2010:

	Year Ended December 31,			Six Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	June 30, 2010	June 30, 2010
Recurring capital expenditures (in thousands)	$ 398	$ 302	$ 265	$ 12	
Total rentable square feet	1,454	1,454	1,453	1,453	
Recurring capital expenditure per square foot	$ 0.27	$ 0.21	$ 0.18	$ 0.01	$ 0.19

(9) For the 12 months ending June 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the retail portion of our mixed-use property is approximately $120, based on the weighted average annual capital expenditures costs of $1.24 per square foot at the retail portion of our mixed-use property incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, multiplied by 96,569 rentable square feet in the retail portion of our mixed-use property. The following table sets forth certain information regarding historical capital expenditures at our mixed-use property through June 30, 2010:

	Year Ended December 31,			Six Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	June 30, 2010	June 30, 2010
Recurring capital expenditures (in thousands)	$ 120	$ 120	$ 120	$ 60	
Total rentable square feet	97	97	97	97	
Recurring capital expenditure per square foot	$1.24	$1.24	$1.24	$ 0.62	$ 1.24

For the 12 months ending June 30, 2011, the estimated furniture, fixture and equipment expense for the hotel portion of our mixed-use property is approximately $189, based on the weighted average annual furniture, fixture and equipment expense incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 for the hotel portion of our mixed-use property. The following table sets forth certain information regarding historical furniture, fixture and equipment expenses at the hotel portion of our mixed-use property through June 30, 2010:

	Year Ended December 31,			Six Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	June 30, 2010	June 30, 2010
Furniture, fixture and equipment expense….	$ 189	$ 189	$ 189	$ 95	$ 189

Based upon the foregoing, the estimated annual provision for recurring mixed-use property capital expenditures for the retail and hotel portions of our mixed-use property of the twelve months ending June 30, 2011 is approximately $309.

(10) For the 12 months ending June 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the properties in our multifamily portfolio is approximately $425, based on the weighted average annual capital expenditures costs of $461.42 per unit at the properties in our initial multifamily portfolio incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, multiplied by 922 rentable units in our initial multifamily portfolio. The following table sets forth certain information regarding historical capital expenditures at the properties in our multifamily portfolio through June 30, 2010:

	Year Ended December 31,			Six Months Ended June 30, 2010	Weighted Avg. January 1, 2007 June 30, 2010
	2007	2008	2009		
Recurring capital expenditures (in thousands)	$ 649	$ 397	$ 333	$ 110	
Total rentable units	922	922	922	922	
Recurring capital expenditure per unit	$703.96	$430.83	$360.99	$ 119.36	$ 461.42

(11) Represents scheduled principal amortization on outstanding indebtedness during the 12 months ending June 30, 2011.

(12) Our share of estimated cash available for distribution and estimated initial annual cash distributions to our stockholders is based on an estimated approximate % aggregate partnership interest in our operating partnership.

(13) Based on a total of shares of our common stock to be outstanding after this offering, including shares to be sold in this offering.

(14) Calculated as estimated initial annual distribution per share divided by our share of estimated cash available for distribution per share for the 12 months ending June 30, 2011.

CAPITALIZATION

The following table sets forth the capitalization of our Predecessor as of June 30, 2010, on a historical basis, on a pro forma pre-offering basis to reflect our formation transactions, and on a pro forma as adjusted basis to give effect to our formation transactions, this offering and the use of net proceeds as set forth in "Use of Proceeds." You should read this table in conjunction with "Use of Proceeds," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of June 30, 2010		
	Historical Combined	Pro Forma Pre-Offering	Pro Forma As Adjusted
		(In thousands, except share amounts)	
Mortgages and other secured loans[1]	$ 855,368	1,122,840	
Non-controlling partnership interest	36,285	73,694	
Stockholders' equity:			
Preferred stock, $.01 par value per share, 10,000,000 shares authorized, none issued or outstanding	—	—	
Common stock, $.01 par value per share, 490,000,000 shares authorized, shares issued and outstanding on a pro forma basis[2]	—	—	
Additional paid in capital	—	—	
Accumulated other comprehensive income	—	—	
Owner's equity	118,929	104,934	
Total stockholders'/owner's equity	155,214	178,628	
Total capitalization	$ 1,010,582	1,301,468	

(1) We also expect to enter into a $ revolving credit facility, which we expect to be undrawn at the closing of this offering.

(2) Pro forma common stock outstanding includes (a) shares of common stock to be issued in this offering, (b) shares of common stock to be issued in connection with our formation transactions, (c) shares of restricted stock to be granted to our officers and certain other employees concurrently with the completion of this offering, and (d) shares of restricted common stock granted to our non-employee directors concurrently with the completion of this offering, and excludes (i) shares issuable upon exercise of the underwriters' overallotment option in full, (ii) additional shares of common stock available for future issuance under our 2010 Equity Incentive Award Plan, and (iii) shares that may be issued, at our option, upon exchange of common units to be issued in the formation transactions.

DILUTION

Purchasers of our common stock offered in this prospectus will experience an immediate and substantial dilution of the net tangible book value of our common stock from the initial public offering price. At June 30, 2010, we had a combined net tangible book value of approximately $126.6 million, or $ per share of our common stock held by the prior investors, assuming the exchange of outstanding common units (other than common units held by us) into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock offered hereby, including the use of proceeds as described under "Use of Proceeds" and the formation transactions, and the deduction of underwriting discounts and commissions and estimated offering and formation expenses, the pro forma net tangible book value at June 30, 2010 attributable to common stockholders would have been $582.2 million, or $ per share of our common stock. This amount represents an immediate increase in net tangible book value of $ per share to the prior investors and an immediate dilution in pro forma net tangible book value of $ per share from the assumed public offering price of $ per share of our common stock to new public investors. See "Risk Factors—Risks Related to this Offering—Differences between the book value of the assets to be acquired in the formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock." The following table illustrates this per share dilution:

Assumed initial public offering price per share	
Net tangible book value per share before the formation transactions and this offering[1]	
Decrease in pro forma net tangible book value per share attributable to the formation transactions	
Increase in pro forma net tangible book value per share attributable to this offering	
Pro forma net tangible book value per share after the formation transaction and this offering[2]	
Dilution in pro forma net tangible book value per share to new investors[3]	

(1) Net tangible book value per share of our common stock before the formation transactions and this offering is determined by dividing the net tangible book value based on June 30, 2010 net book value of tangible assets (consisting of total assets less intangible assets, which are comprised of deferred financing and leasing costs, acquired above-market leases and acquired in-place lease value, net of liabilities to be assumed, excluding acquired below-market leases) of our Predecessor by the number of shares of our common stock held by prior investors after this offering, assuming the exchange for shares of our common stock on a one-for-one basis of the common units to be issued in connection with the formation transactions.

(2) Based on pro forma net tangible book value of approximately $582.2 million divided by the sum of shares of our common stock and common units to be outstanding after this offering (excluding units held by us), not including (a) shares of common stock issuable upon the exercise of the underwriters' overallotment option and (b) shares of our common stock available for issuance under our 2010 Equity Incentive Award Plan.

(3) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to the formation transactions and this offering from the initial public offering price paid by a new investor for a share of our common stock.

SELECTED FINANCIAL DATA

The following table sets forth summary selected financial and operating data on a historical combined basis for our "Predecessor." Our Predecessor is comprised of certain entities and their consolidated subsidiaries that own directly or indirectly 17 retail, office and multifamily properties, and unconsolidated equity interests in four retail, mixed-use and office properties. We refer to these entities and their subsidiaries as the "ownership entities." Each of the ownership entities currently owns, directly or indirectly, one or more retail, office, mixed-use or multifamily properties. Upon completion of this offering and the formation transactions, we will acquire the 17 retail, office and multifamily properties owned directly or indirectly by our Predecessor, as well our Predecessor's unconsolidated equity interests in three other retail, office and mixed-use properties, and assume the ownership and operation of its business. As a result of the completion of the formation transactions we will have acquired direct or indirect ownership of a total of 20 retail, office, mixed-use and multifamily properties. We have not presented historical information for American Assets Trust, Inc. because we have not had any corporate activity since our formation other than the issuance of 1,000 shares of common stock to the Rady Trust in connection with the initial capitalization of the company and activity in connection with this offering, and because we believe that a discussion of the results of American Assets Trust, Inc. would not be meaningful.

You should read the following summary selected financial data in conjunction with our historical combined financial statements and the related notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus.

The historical combined balance sheet information as of June 30, 2010 of our Predecessor and the combined statements of operations for the six months ended June 30, 2010 and 2009 of our Predecessor have been derived from the historical unaudited combined financial statements included elsewhere in this prospectus and includes all adjustments consisting of normal recurring adjustments, which management considers necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheet information as of December 31, 2009 and 2008 of our Predecessor and the combined statements of operations information for each of the years ended December 31, 2009, 2008 and 2007 of our Predecessor have been derived from the historical audited combined financial statements included elsewhere in this prospectus.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the six months ended June 30, 2010 and for the year ended December 31, 2009 assume completion of this offering and the formation transactions as of January 1, 2009 for the operating data and as of June 30, 2010 for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

The Company (Pro Forma) and Our Predecessor (Historical)

	Six Months Ended June 30,			Year Ended December 31,					
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined				
	2010	2010	2009	2009	2009	2008	2007	2006	2005
	(Unaudited)	(Unaudited)		(In thousands, except per share data) (Unaudited)				(Unaudited)	
Statement of Operations Data:									
Revenue:									
Rental income	$ 94,043	$ 56,509	$ 55,252	$ 189,150	$113,080	$117,104	$ 113,324	$ 108,885	$ 102,246
Other property income	3,074	1,710	1,691	6,768	3,963	3,839	4,184	4,118	2,792
Total revenues	97,117	58,219	56,943	195,918	117,043	120,943	117,508	113,003	105,038
Expenses:									
Rental expenses	24,068	9,864	9,854	49,277	20,336	22,029	21,674	20,312	16,049
Real estate taxes	8,471	5,948	2,463	13,298	8,306	10,890	10,878	11,030	10,527
General and administrative	4,465	3,408	3,756	9,050	7,058	8,690	10,471	10,713	7,714
Depreciation and amortization	25,465	14,739	14,902	51,309	29,858	31,089	31,376	31,197	29,587
Total operating expenses	62,469	33,959	30,975	122,934	65,558	72,698	74,399	73,252	63,877
Operating income	34,648	24,260	25,968	72,984	51,485	48,245	43,109	39,751	41,161
Interest income and other, net	(121)	31	109	(113)	173	1,167	2,462	1,907	831
Interest expense	(26,752)	(21,278)	(21,489)	(53,825)	(43,290)	(43,737)	(42,902)	(41,880)	(41,267)
Fee income from real estate joint ventures	—	1,943	871	—	1,736	1,538	2,721	1,303	1,957
Income (loss) from real estate joint ventures	—	1,407	(2,503)	—	(4,865)	(19,272)	(7,191)	(3,099)	(5,962)
Income (loss) from continuing operations	7,775	6,363	2,956	19,046	5,239	(12,059)	(1,801)	(2,018)	(3,280)
Discontinued operations:									
Income (loss) from discontinued operations	—	—	—	—	—	(2,071)	(2,874)	(2,420)	1,603
Gain on sale of real estate property	—	—	—	—	—	2,625	—	—	128,796
Results from discontinued operations	—	—	—	—	—	554	(2,874)	(2,420)	130,399
Net income (loss) attributable to Predecessor	7,775	6,363	2,956	19,046	5,239	(11,505)	(4,675)	(4,438)	127,119
Net income (loss) attributable to noncontrolling interests		(899)	(656)		(1,205)	(4,488)	(2,140)	(542)	34,649
Net income (loss)	$ 7,775	$ 7,262	$ 3,612	$ 19,046	$ 6,444	$ (7,017)	$ (2,535)	$ (3,896)	$ 92,470
Balance Sheet Data (at period end)									
Net real estate	$ 1,290,391	$ 928,831			$774,208	$793,237	$ 802,605	$ 803,589	$ 817,309
Total assets	1,516,247	1,099,549			938,991	971,118	1,039,909	1,029,157	1,057,606
Notes payable	859,316	895,346			744,451	755,189	$ 729,174	$ 708,591	$ 716,556
Total liabilities	905,424	944,335			768,028	781,944	763,717	746,799	753,449
Noncontrolling interests	73,694	36,285			37,790	40,310	60,881	59,165	57,503
Stockholders'/owners' equity	537,129	155,214			170,963	189,174	276,192	282,358	304,157
Total liabilities and stockholders'/ owners' equity	1,516,247	1,099,549			938,991	971,118	1,039,909	1,029,157	1,057,606
Per Share Data:									
Pro forma basic earnings per share									
Pro forma diluted earnings per share									
Pro forma weighted average common shares outstanding—basic									
Pro forma weighted average common shares outstanding—diluted									
Other Data:									
Pro forma funds from operations[1]	$ 33,240			$ 70,355					
Cash flows from:									
Operating activities		$ 23,408	$ 27,613		$ 47,501	$ 47,592	$ 31,179	$ 33,652	$ 30,916
Investing activities		(11,422)	(4,306)		(7,544)	2,111	(44,441)	(43,541)	109,766
Financing activities		(4,583)	(13,737)		(34,746)	(49,957)	18,850	(25,868)	103,209

(1) We calculate FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in

excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our pro forma FFO to net income, the nearest GAAP equivalent, for the periods presented:

	Pro Forma		
	Six Months Ended June 30, 2010	(In Thousands)	Year Ended December 31, 2009
Pro forma net income	$ 7,775		$ 19,046
Plus: pro forma real estate depreciation and amortization	25,465		51,309
Pro forma funds from operations	$ 33,240		$ 70,355

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operation should be read in conjunction with the unaudited selected combined financial data of our "Predecessor" as of June 30, 2010 and for the six months ended June 30, 2010 and 2009, and the audited historical combined financial statements of our "Predecessor" as of December 31, 2009 and 2008 and for the periods ended December 31, 2009, 2008 and 2007, and related notes thereto, included elsewhere in this prospectus. Our Predecessor is comprised of certain entities and their consolidated subsidiaries that own directly or indirectly 17 retail, office and multifamily properties, and unconsolidated equity interests in four retail, office and mixed use properties. As used in this section, unless the context otherwise requires, "we," "us," "our," and "our company" mean our Predecessor for the periods presented and American Assets Trust, Inc., a Maryland corporation and its consolidated subsidiaries, upon completion of this offering and the formation transactions. Where appropriate, the following discussion includes analysis of the effects of the formation transactions, certain other transactions and this offering. These effects are reflected in the pro forma consolidated financial statements located elsewhere in this prospectus. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or elsewhere in this prospectus. See "Risk Factors" and "Forward-Looking Statements."

Overview

Our Company

We are a full service, vertically integrated and self-administered REIT that owns, operates, acquires and develops high quality retail and office properties in attractive, high-barrier-to-entry markets primarily in Southern California, Northern California and Hawaii. We are a Maryland corporation formed on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest S. Rady or his affiliates, including the Rady Trust, and will not have any operating activity until the consummation of this offering and the related acquisition of our Predecessor. Accordingly, we believe that a discussion of the results of operations of American Asset Trust, Inc. would not be meaningful, and we have therefore set forth below a discussion regarding the historical operations of our Predecessor only. American Assets Trust, L.P., or our operating partnership, was formed as a Maryland limited partnership on July 16, 2010. Upon completion of this offering and formation transactions described below, we expect our operations to be carried on through our operating partnership. At such time, the company, as the sole general partner of our operating partnership will own % of and will have control of our operating partnership. Accordingly, we will consolidate the assets, liabilities and results of operations of our operating partnership.

Our Predecessor

Our Predecessor includes (1) entities owned and/or controlled by Mr. Rady and his affiliates, including the Rady Trust, which in turn own controlling interests in 17 properties and the property management business of American Assets, Inc., or the controlled entities, and (2) noncontrolling interests in entities owning four properties, or the noncontrolled entities. Our Predecessor accounts for its investment in the noncontrolled entities under the equity method of accounting.

Prior to June 30, 2010, the noncontrolled entities owned an office property located in San Francisco, California referred to as The Landmark at One Market. We refer to the entities owning The Landmark at One Market as the "Landmark entities." The outside ownership interest in the Landmark entities was acquired by our Predecessor on June 30, 2010 for a cash payment of $23.0 million and the assumption of $133.0 million of outstanding debt (of which $87.1 million was attributable to the outside owners' interest). As of June 30, 2010, The Landmark at One Market was controlled by our Predecessor. All but one of the properties owned by the

controlled entities and noncontrolled entities are managed by American Assets, Inc., or AAI, an entity controlled by Mr. Rady. The noncontrolled entities managed by AAI include the entities that own Solana Beach Towne Centre and Solana Beach Corporate Centre, or the Solana Beach Centre entities, and the entity that owns the Fireman's Fund Headquarters office property. The remaining property not managed by AAI is Waikiki Beach Walk, which is managed by Outrigger Hotels & Resorts. We refer to ABW Lewers LLC and the Waikiki Beach Walk—Embassy Suites™, the entities that own this non-AAI managed property, as the Waikiki Beach Walk entities.

For the periods after consummation of this offering and the formation transactions, our operations will include the consolidated results of operations of the noncontrolled entities, excluding the Fireman's Fund Headquarters office property, which will not be acquired by us. Elsewhere in this prospectus, we have included the audited financial statements of our Predecessor, the Waikiki Beach Walk entities and Novato FF Venture, LLC (the entity that owns Fireman's Fund Headquarters office property) as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007, and the unaudited financial statements for those same entities for the six months ended June 30, 2010 and 2009. In addition, we have included the audited statements of revenues and expenses for The Landmark at One Market entities and the Solana Beach Centre entities for the years ended December 31, 2009, 2008 and 2007 and the unaudited statement of revenues and expenses for the Landmark entities and the Solana Beach Centre entities for the six months ended June 30, 2010.

Formation Transactions

Concurrently with this offering, we will complete a series of formation transactions pursuant to which we will acquire, through a series of merger and contribution transactions, 100% of the ownership interests in the controlled entities, the Waikiki Beach Walk entities and the Solana Beach Centre entities (including our Predecessor's ownership interest in these entities). We will not acquire our Predecessor's noncontrolling 25% ownership interest in Novato FF Venture, LLC, the entity that owns Fireman's Fund Headquarters. Our Predecessor's interest in Fireman's Fund Headquarters will be either distributed to its current equity owners or transferred to a new entity owned by such owners. In the aggregate, these interests will comprise our ownership of our property portfolio.

To acquire the ownership interests in the entities that own the properties to be included in our portfolio from the prior investors, we will issue to the prior investors an aggregate of shares of our common stock and common units, with an aggregate value of $, and we will pay $ in cash to those prior investors that are non-accredited. Cash amounts will be provided from the net proceeds of this offering. These contributions and mergers will be effected substantially concurrently with the completion of this offering.

We estimate that the net proceeds from this offering will be approximately $ million, or approximately $ million if the underwriters' over allotment option is exercised in full (in each case after deducting the underwriting discount and commissions and estimated expenses of this offering and formation transactions). We will contribute the net proceeds of this offering to our operating partnership in exchange for common units, and our operating partnership will use the proceeds received from us, as well as cash on hand, if any, as described under "Use of Proceeds." Upon completion of this offering, we expect to enter into a $ million revolving credit facility. In connection with this offering, we expect to repay approximately $341.4 million of indebtedness (including $24.3 million of defeasance costs), pay $13.2 million to purchase the approximately 80,000 square foot building vacated by Mervyn's located in Carmel Mountain Plaza, pay up to $8.5 million to fund tenant improvements and leasing commissions at The Landmark at One Market, pay $ in cash to those prior investors that are non-accredited and pay up to $2.0 million for costs related to the renovation of Solana Beach Towne Centre. Any remaining net proceeds will be used for general corporate purposes, including future acquisitions.

Upon completion of this offering and consummation of the formation transactions, we expect our operations to be carried on through our operating partnership and subsidiaries of our operating partnership, including our taxable REIT subsidiary. Consummation of the formation transactions will enable us to (1) consolidate the ownership of our property portfolio under our operating partnership; (2) succeed to the property management business of AAI; (3) facilitate this offering; and (4) qualify as a real estate investment trust for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2010. As a result, we expect to be a vertically integrated and self-administered REIT with approximately 100 employees providing substantial in-house expertise in asset management, property management, property development, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment and financing.

We have determined that the Predecessor is the acquirer for accounting purposes, and therefore the contribution or acquisition by merger of interests in the controlled entities is considered a transaction between entities under common control since our Executive Chairman, Ernest S. Rady or his affiliates, including the Rady Trust, own the controlling interest in each of the entities comprising the Predecessor, which, in turn, own a controlling interest in each of the controlled entities. As a result, the acquisition of interests in each of the controlled entities will be recorded at our historical cost.

The contribution or acquisition by merger of interests in certain of the noncontrolled entities, which include the Waikiki Beach Walk entities and the Solana Beach Centre entities (including our Predecessor's ownership interest in these noncontrolled entities), will be accounted for as an acquisition under the acquisition method of accounting and recognized at the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The acquisition of the ownership interests in the Landmark entities by the Predecessor was accounted for under the acquisition method of accounting on June 30, 2010 and will be recorded at the Predecessor's historical cost when acquired by us upon the consummation of the formation transactions.

The fair value of these assets and liabilities has been allocated in accordance with Accounting Standards Codification, or ASC, Section 805-10, *Business Combinations*. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. We estimate the fair value of acquired tangible assets (consisting of land, building and improvements), identified intangible assets and liabilities (consisting of acquired above-market leases, acquired in-place lease value, and acquired below-market leases) and assumed debt.

Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization. The value of above- and below-market in-place leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income. The fair value of the debt assumed is determined using current market interest rates for comparable debt financings.

Revolving Credit Facility

We anticipate entering into an agreement for a $ million revolving credit facility. For additional information regarding the revolving credit facility, please refer to "—Liquidity and Capital Resources" below.

Segments

As of June 30, 2010, our Predecessor had three operating segments: retail, office and multifamily. Upon consummation of this offering and the formation transactions we will have four operating segments, the three operating segments of our Predecessor, as well as a mixed-use segment. Our mixed-use segment will be comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel, both of

which we are acquiring from the Waikiki Beach Walk entities. This hotel and the related retail space are located at the same property and are viewed by our management as a single, integrated mixed-use asset, and as such, will be operated by us as a separate segment.

Revenue Base

Upon consummation of this offering and the formation transactions, we will acquire from our Predecessor and the noncontrolled entities an aggregate of 20 properties comprising approximately 3.0 million rentable square feet of retail space, 1.5 million rentable square feet of office space, a mixed-use asset comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel, and 922 multifamily units (including 122 RV spaces), which collectively will comprise our portfolio. The properties are located in Southern California, Northern California, Honolulu, Hawaii and San Antonio, Texas.

Rental income consists of scheduled rent charges, straight-line rent adjustments and the amortization of above-market and below-market rents acquired. We also derive revenue from tenant recoveries and other property revenues, including parking income, lease termination fees, late fees, storage rents and other miscellaneous property revenues.

Retail Leases. Our Predecessor's retail portfolio included nine properties with a total of approximately 2.8 million rentable square feet available for lease as of June 30, 2010. As of June 30, 2010, these properties were 95.8% leased. For the years ended December 31, 2009, 2008 and 2007, and for the six months ended June 30, 2010, the retail segment contributed 65%, 66%, 66% and 66%, respectively, of our total revenue. Upon consummation of this offering and the formation transactions, we will acquire from the noncontrolled entities an additional retail property with approximately 247,000 rentable square feet available for lease, which was 98.2% leased as of June 30, 2010. Historically, we have leased retail properties to tenants primarily on a triple-net lease basis, and we expect to continue to do so in the future. In a triple-net lease, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expense, but rather all such expenses, to the extent they are paid by the landlord, are billed to the tenant. The full amount of the expenses for this lease type, to the extent they are paid by the landlord, is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries.

Office Leases. Our Predecessor's office portfolio included four properties with a total of approximately 1.2 million rentable square feet available for lease as of June 30, 2010. As of June 30, 2010, these properties were 92.8% leased. For the years ended December 31, 2009, 2008 and 2007, and for the six months ended June 30, 2010, the office segment contributed 23%, 22%, 22% and 22%, respectively, of our total revenue. Upon consummation of this offering and the formation transactions, we will acquire from the noncontrolled entities one additional office property with approximately 212,000 square feet available for lease, which was 88.6% leased as of June 30, 2010. Historically, we have leased office properties to tenants primarily on a full service gross or a modified gross basis and to a limited extent on a triple-net lease basis. We expect to continue to do so in the future. A full-service gross or modified gross lease has a base year expense stop, whereby the tenant pays a stated amount of certain expenses as part of the rent payment, while future increases in property operating expenses (above the base year stop) are billed to the tenant based on such tenant's proportionate square footage of the property. The increased property operating expenses billed are reflected as operating expenses and amounts recovered from tenants are reflected as rental income in the statements of operations.

Multifamily Leases. Our Predecessor's multifamily portfolio included three apartment properties, as well as an RV resort, with a total of 922 units (including 122 RV spaces) available for lease as of June 30, 2010. As of June 30, 2010, these properties were 93.2% leased. For the years ended December 31, 2009, 2008 and 2007, and for the six months ended June 30, 2010, the multifamily segment contributed 12%, 12%, 12% and 12%, respectively, of our total revenue. Our multifamily leases, other than at our RV Resort, generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms. Tenants normally pay a base rental amount, usually quoted in terms of a monthly rate for the respective unit. Spaces at the RV Resort can be rented at a daily- weekly- or monthly-rate.

Mixed-Use Property Revenue. Upon consummation of this offering and the formation transactions, we will acquire from the Waikiki Beach Walk entities a mixed-use property that consists of 97,000 rentable square feet of retail space and a 369-room all-suite hotel. Revenue from the mixed-use property consists of revenue earned from retail leases, and revenue earned from the hotel, which consists of room revenue, food and beverage services, parking and other guest services.

Factors That May Influence Future Results of Operations

Rental Income

The amount of net rental income generated by the properties in our portfolio depends principally on our ability to renew expiring leases or re-lease space upon the scheduled or unscheduled termination of leases, lease currently available space (approximately 242,000 rentable square feet for retail, office and mixed-use properties and 63 residential units as of June 30, 2010) and maintain or increase rental rates at our properties. Local, regional or national economic conditions; an oversupply of or a reduction in demand for retail, office, mixed-use or multifamily space; changes in market rental rates; our ability to provide adequate services and maintenance at our properties; and fluctuations in interest rates could adversely affect our rental income in future periods. Future economic or regional downturns affecting our submarkets or downturns in our tenants' industries that impair our ability to renew or re-lease space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase occupancy. In addition, growth in rental income will also partially depend on our ability to acquire additional properties that meet our acquisition criteria.

Rental Rates

We believe that the average rental rates for our properties are generally greater than or equal to the current average quoted market rate, although individual properties within any particular submarket presently may be leased above or below the average quoted market rental rates within that submarket.

Scheduled Lease Expirations

Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 117,400 rentable square feet of available space in our retail portfolio as of June 30, 2010, during the years ending December 31, 2010 and 2011, leases representing approximately 2.2% and 4.9%, respectively, of the net rentable square feet of our retail portfolio are scheduled to expire. These leases are expected to represent approximately 2.5% and 7.3%, respectively, of our pro rata annualized base rent for such periods. In addition to approximately 121,100 rentable square feet of available space in our pro rata office portfolio as of June 30, 2010, during the years ending December 31, 2010 and 2011, leases representing approximately 10.6% and 5.5%, respectively, of the net rentable square feet of our pro rata office portfolio are scheduled to expire. These leases are expected to represent approximately 13.5% and 6.6%, respectively, of our pro rata annualized base rent for such periods.

Conditions in Core Markets

The properties in our portfolio are located in Southern California, Northern California, Honolulu, Hawaii and San Antonio, Texas markets. Positive or negative changes in conditions in these markets, such as changes in economic or other conditions, including the California state budgetary shortfall, employment rates, natural hazards and other factors, will impact our overall performance.

Operating Expenses

Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants' base years are generally passed on to tenants in our

full-service gross leased properties and are generally paid in full by tenants in our triple-net lease properties. As a public company, we estimate our annual general and administrative expenses will increase compared to our Predecessor's operations by $ to $ million initially due to increased headcount and cash and equity-based compensation and legal, insurance, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters. In addition, properties in our portfolio may be reassessed after the consummation of this offering. Therefore, the amount of property taxes we pay in the future may increase from what we have paid in the past. Given the uncertainty of the amounts involved, we have not included any property tax increase in our pro forma financial statements.

Interest Rates

We expect future changes in interest rates will impact our overall performance. While we may seek to manage our exposure to future changes in rates through interest rate swap agreements or interest rate caps, portions of our overall outstanding debt, including borrowings under our revolving credit facility, will likely remain at floating rates.

Taxable REIT Subsidiary

As part of the formation transactions, on , 2010, we formed American Assets Trust Services, Inc., a Maryland corporation that is wholly owned by our operating partnership and which we refer to as our services company. We will elect, together our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a taxable REIT subsidiary may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated. See "Federal Income Tax Considerations—Taxation of Our Company—General—Ownership of Interests in Taxable REIT Subsidiaries." We may form additional taxable REIT subsidiaries in the future, and our operating partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. Any income earned by our taxable REIT subsidiaries will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. See "Federal Income Tax Considerations—Taxation of Our Company—Income Tests." Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable) as a regular corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries.

Critical Accounting Policies

Our discussion and analysis of our historical financial condition and results of operations are based upon our Predecessors' combined financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may affect these estimates is included in the section above entitled "Risk Factors." Management considers an accounting estimate to be critical if changes in the estimate could have a material impact on our combined results of operations or financial condition.

Our significant accounting policies are more fully described in the notes to the combined financial statements of our Predecessor included elsewhere in this prospectus; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all of our retail and office leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

We make estimates of the collectability of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue. Accounts receivable is carried net of this allowance for doubtful accounts. We generally do not require collateral or other security from our tenants, other than letters of credit or security deposits. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded.

We recognize gains on sales of properties upon the closing of the transaction with the purchaser. Gains on properties sold are recognized using the full accrual method when (1) the collectability of the sales price is reasonably assured, (2) we are not obligated to perform significant activities after the sale, (3) the initial investment from the buyer is sufficient and (4) other profit recognition criteria have been satisfied. Gains on sales of properties may be deferred in whole or in part until the requirements for gain recognition have been met.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of

the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value.

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles (for acquisitions made subsequent to June 30, 2001) such as in-place leases, and to current assets and liabilities acquired, if any. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of operations. The value of above and below market leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income in the statement of operations. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income and amortization expense.

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance and construction costs and salaries and related costs of personnel directly involved. Additionally, we capitalize interest costs related to development and significant redevelopment activities. Capitalization of these costs begins when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use, at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine that the completion of development or redevelopment is no longer probable, we expense all capitalized costs which are not recoverable.

Impairment of Long-Lived Assets

We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. The sale or disposal of a “component of an entity” is treated as discontinued operations. The operating properties sold by us typically meet the definition of a component of an entity and as such the revenues and expenses associated with sold properties are reclassified to discontinued operations for all periods presented.

Financial Instruments

The estimated fair values of financial instruments are determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair values. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. Accordingly, estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short-term liquid investments with an initial maturity less than three months. Cash balances in individual banks may exceed the federally insured limit of $250,000 by the Federal Deposit Insurance Corporation, or the FDIC.

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate tax expenditures, insurance expenditures and reserves for capital improvements. Activity for accounts related to real estate tax and

insurance expenditures is classified as operating activities in the statement of cash flows. Changes in reserves for capital improvements are classified as investing activities in the statement of cash flows.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, lease incentives, acquired in-place leases and acquired above-market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions, internal salaries and personnel costs related to obtaining a lease. Capitalized lease costs are amortized over the life of the related lease and included in depreciation and amortization expense on the statement of operations. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off.

Debt Issuance Costs

Costs related to the issuance of debt instruments are capitalized and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method. If a debt instrument is paid off prior to its original maturity date, the unamortized balance of debt issuance costs are written off to interest expense or, if significant, included in “early extinguishment of debt.”

Variable Interest Entities

Certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest qualify as variable interest entities, or VIEs. VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that absorbs a majority of the entity’s expected losses, receives a majority of its expected returns, or both. We have evaluated our investments in certain joint ventures and determined that these joint ventures do not meet the requirements of a VIE and, therefore, consolidation of these ventures is not required. These investments are accounted for using the equity method. Our investment balances in our real estate joint ventures are presented separately in our combined balance sheets.

Investments in Real Estate Joint Ventures

We analyze our investments in real estate joint ventures under applicable guidance to determine if the venture is considered a VIE and would require consolidation. To the extent that the ventures do not qualify as VIEs, we further assess the venture to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights in order to determine whether consolidation is required.

We consolidate those ventures that are considered to be VIEs where we are the primary beneficiary. For non-VIEs, we combine those ventures that we control through majority ownership interests or where we are the managing member and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the venture without the consent of the limited partner, and inability of the limited partner to replace the general partner. We use the equity method of accounting for those ventures where we do not have control over operating and financial policies. Under the equity method of accounting, the investment in each venture is included on our balance sheet; however, the assets and liabilities of the ventures for which we use the equity method are not included in the balance sheet. The investment is adjusted for contributions, distributions and our proportionate share of the net earnings or losses of each respective venture.

We assess whether there has been impairment in the value of our investments in real estate joint ventures periodically. An impairment charge is recorded when events or changes in circumstances indicate that a

decline in the fair value below the carrying value has occurred and such decline is other-than-temporary. The ultimate realization of the investments in unconsolidated real estate joint ventures is dependent on a number of factors, including the performance of the investments and market conditions.

Results of Operations

Comparison of Six Months ended June 30, 2010 to Six Months ended June 30, 2009

The following table summarizes the historical results of operations of our Predecessor for the six months ended June 30, 2010 and 2009. As of June 30, 2010, our operating portfolio was comprised of 17 retail, office and multifamily properties with an aggregate of approximately 4.0 million rentable square feet of retail and office space and 922 residential units (including 122 RV spaces), compared to a portfolio that was comprised of 16 properties with an aggregate of approximately 3.6 million rentable square feet of retail and office space and 922 residential units (including 122 RV spaces) as of June 30, 2009. In addition, we had noncontrolling investments in four properties at June 30, 2010, and five properties at June 30, 2009, which are accounted for under the equity method of accounting. The one additional property that is included in our portfolio at June 30, 2010 is The Landmark at One Market, which was acquired on June 30, 2010 by our Predecessor. Prior to June 30, 2010, our Predecessor had a noncontrolling interest in The Landmark at One Market and accounted for its investment under the equity method of accounting. The following table sets forth selected data from our combined statements of operations for the six months ended June 30, 2010 and 2009 (unaudited, dollars in thousands):

	Six Months Ended June 30,			
	2010	2009	Change	%
Revenues				
Rental income	$ 56,509	$ 55,252	$ 1,257	2%
Other property income	1,710	1,691	19	1
Total property revenues	58,219	56,943	1,276	2
Expenses				
Rental expenses	9,864	9,854	10	—
Real estate taxes	5,948	2,463	3,485	141
Total property expenses	15,812	12,317	3,495	28
Total property income	42,407	44,626	(2,219)	(5)
General and administrative	(3,408)	(3,756)	348	(9)
Depreciation and amortization	(14,739)	(14,902)	163	(1)
Interest income	31	109	(78)	(72)
Interest expense	(21,278)	(21,489)	211	(1)
Fee income from real estate joint ventures	1,943	871	1,072	123
Income (loss) from real estate joint ventures	1,407	(2,503)	3,910	—
Total other, net	(36,044)	(41,670)	5,626	(14)
Net income	6,363	2,956	3,407	115
Net income (loss) attributable to noncontrolling interests	(899)	(656)	(243)	37
Net income attributable to Predecessor	$ 7,262	$ 3,612	$ 3,650	101%

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue increased $1.3 million, or 2%, to $58.2 million for the six months ended June 30, 2010, compared to $56.9 million for the six months ended June 30, 2009. The percentage leased was as follows for each segment as of June 30, 2010 and June 30, 2009:

	Percentage Leased June 30,	
	2010	2009
Retail	95.8%	95.8%
Office	89.1[1]	91.7
Multifamily	93.2	89.3

(1) Excludes The Landmark at One Market, which was acquired on June 30, 2010.

The increase in total property revenue is attributable primarily to the factors discussed below.

Rental revenues. Rental revenue includes minimum base rent, cost reimbursements, percentage rents, and other rents. Rental revenue increased $1.3 million, or 2%, to $56.5 million for the six months ended June 30, 2010, compared to $55.2 million for the six months ended June 30, 2009. Rental revenue by segment was as follows (dollars in thousands):

	June 30,			
	2010	2009	Change	%
Retail	$37,669	$35,433	$2,236	6%
Office	12,257	13,058	(801)	(6)
Multifamily	6,583	6,761	(178)	(3)
	$56,509	$55,252	$1,257	2%

This increase in retail rental revenue was primarily caused by a one-time property tax refund that was obtained with respect to one property in March 2009 of approximately $2.7 million, of which $2.6 million was passed through to tenants during the same period and recorded as a reduction to rental revenue. A comparable real estate tax refund was not obtained during the six months ended June 30, 2010. On a comparable basis, adding back this property tax refund to rental income during the six months ended June 30, 2009, rental income actually decreased by $0.4 million or 1%. This decrease was due to lease expirations, which adversely impacted occupancy in certain segments and reduced rental rates. The percentage leased of our retail portfolio remained consistent at 95.8% for June 30, 2010 and June 30, 2009. The percentage leased of our office portfolio declined to 89.1% at June 30, 2010 compared to 91.7% at June 30, 2009, which contributed to a decline in office rental revenue of $0.8 million. The percentage leased of our multifamily portfolio increased to 93.2% at June 30, 2010 from 89.3% at June 30, 2009, however, this was offset by reductions in rental rates, which contributed to a decline in multifamily revenue of $0.2 million.

Other property income. Other property income remained flat at $1.7 million for the six months ended June 30, 2010 and 2009.

Other property income by segment was as follows (dollars in thousands):

	Six Months Ended June 30,			
	2010	2009	Change	%
Retail	$ 573	$ 495	$ 78	16%
Office	629	611	18	3
Multifamily	508	585	(77)	(13)
	$1,710	$1,691	$ 19	1%

Retail other property income increased to $0.6 million for the six months ended June 30, 2010 from $0.5 million for the six months ended June 30, 2009. Retail other income is primarily attributable to the Hawaii general excise tax, which is remitted to the state at 4.5% and included in rental expenses, and was $0.5 million for the six months ended June 30, 2010 and 2009. Office other property income remained flat at $0.6 million for the six months ended June 30, 2010 and 2009. Office other property income primarily consists of parking income from one office building, which was $0.5 million for the six months ended June 30, 2010 and 2009. Multifamily other property income decreased to $0.5 million for the six months ended June 30, 2010 from $0.6 million for the six months ended June 30, 2009. Multifamily other property income consists primarily of laundry fees and utilities billed to tenants and security deposits forfeited when tenants move out.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased by $3.5 million, or 28%, to $15.8 million for the six months ended June 30, 2010, compared to $12.3 million for the six months ended June 30, 2009. This increase in total property expenses is attributable primarily to the factors discussed below.

Rental Expenses. Rental expenses remained flat at $9.9 million for the six months ended June 30, 2010 and 2009. Rental expense by segment was as follows (dollars in thousands):

	Six Months Ended June 30,			
	2010	2009	Change	%
Retail	$5,672	$5,815	$ (143)	(2)%
Office	2,345	2,181	164	8
Multifamily	1,847	1,858	(11)	(1)
	$9,864	$9,854	$ 10	—

Rental expenses included the following general categories: facilities services, repairs and maintenance, utilities, onsite payroll expense, Hawaii excise tax, third-party management fees, insurance and marketing.

Real Estate Taxes. Real estate tax expense increased $3.5 million, or 141%, to $5.9 million for the six months ended June 30, 2010, compared to $2.5 million for the six months ended June 30, 2009. Real estate tax expense by segment was as follows (dollars in thousands):

	Six Months Ended June 30,			
	2010	2009	Change	%
Retail	$4,328	$ 891	$3,437	386%
Office	1,267	1,236	31	3
Multifamily	353	336	17	5
	$5,948	$2,463	$3,485	141%

The increase in retail real estate tax expense was due primarily to a one-time property tax refund of approximately $2.7 million, that was obtained with respect to one property in March 2009 and which was recorded as a reduction of real estate tax expense in the period the refund was received due to the contingent nature of the collection. A comparable real estate tax refund was not obtained during the six months ended June 30, 2010. Additionally, a lower tax assessment for 2008 at the same retail property reduced the 2009 tax bill by approximately $0.4 million in the six months ended June 30, 2009. The remaining increase in real estate tax expense is due to regular annual increases in assessed taxes on the properties in our portfolio located in Texas and Hawaii. Office property tax expense remained flat at $1.2 million for the six months ended June 30, 2010 and 2009. Multifamily property tax expense remained flat at $0.3 million for the six months ended June 30, 2010 and 2009.

Property Operating Income.

Property operating income decreased $2.2 million, or 5%, to $42.4 million for the six months ended June 30, 2010, compared to $44.6 million for the six months ended June 30, 2009. As discussed above, this decrease is primarily attributable to decreased occupancy due to lease expirations and reduced rental rates.

Other

General and administrative. General and administrative expenses decreased $0.3 million, or 9%, to $3.4 million for the six months ended June 30, 2010, compared to $3.8 million for the six months ended June 30, 2009. This decrease was due primarily to renegotiation of a third party management fee, lower state excise tax paid in Texas, and minor cost containment efforts.

Depreciation and amortization. Depreciation and amortization expense decreased $0.2 million, or 1%, to $14.7 million for the six months ended June 30, 2010, compared to $14.9 million for the six months ended June 30, 2009. This decrease was due primarily to full amortization of certain acquired lease intangible assets and tenant improvements.

Interest income. Interest income decreased $0.08 million, or 72%, to $0.03 million for the six months ended June 30, 2010, compared to $0.11 million for the six months ended June 30, 2009. This decrease was primarily due to a decline in interest rates earned on cash investments and notes receivable from affiliates.

Interest expense. Interest expense decreased $0.2 million, or 1%, to $21.3 million for the six months ended June 30, 2010 compared with $21.5 million for the six months ended June 30, 2009. This decrease was primarily due to slightly decreased average debt levels.

Fee income from real estate joint ventures. Fee income from real estate joint ventures increased $1.1 million, or 123%, to $1.9 million for the six months ended June 30, 2010, compared to $0.9 million for the six months ended June 30, 2009. The increase primarily relates to leasing commissions earned by us related to a new lease signed at The Landmark at One Market prior to our acquisition of the controlling ownership interest in The Landmark at One Market on June 30, 2010.

Income (loss) from real estate joint ventures. Income (loss) from real estate joint ventures increased $3.9 million, or 156%, to $1.4 million for the six months ended June 30, 2010, compared to a loss of $2.5 million for the six months ended June 30, 2009. This increased income from real estate joint ventures was primarily due to the $4.2 million gain recognized on the acquisition of the outside ownership interest in The Landmark at One Market. Excluding the gain recognized on the acquisition of The Landmark at One Market, loss from real estate joint ventures increased $0.3 million, or 15%, primarily related to our investment in our mixed-use property in Hawaii. This was the result of larger losses at the property due to lower paid occupancy and average daily rate at the hotel property, which translates into a lower revenue per available room.

Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008

As of December 31, 2009 and 2008, our operating portfolio was comprised of 16 retail, office and multifamily properties with an aggregate of approximately 3.6 million rentable square feet of retail and office space and 922 residential units (including 122 RV spaces). In addition, we had noncontrolling investments in five properties at December 31, 2009 and 2008, which were accounted for under the equity method of accounting. The following table sets forth selected data from our combined statements of operations for the years ended December 31, 2009 and 2008 (dollars in thousands).

	Year Ended December 31,			
	2009	2008	Change	%
Revenues				
Rental income	$113,080	$ 117,104	$ (4,024)	(3)%
Other property income	3,963	3,839	124	3
Total property revenues	117,043	120,943	(3,900)	(3)
Expenses				
Rental expenses	20,336	22,029	(1,693)	(8)
Real estate taxes	8,306	10,890	(2,584)	(24)
Total property expenses	28,642	32,919	(4,277)	(13)
Total property income	88,401	88,024	377	—
General and administrative	(7,058)	(8,690)	1,632	(19)
Depreciation and amortization	(29,858)	(31,089)	1,231	(4)
Interest income	173	1,167	(994)	(85)
Interest expense	(43,290)	(43,737)	447	(1)
Fee income from real estate joint ventures	1,736	1,538	198	13
Loss from real estate joint ventures	(4,865)	(19,272)	14,407	(75)
Total other, net	(83,162)	(100,083)	16,921	(17)
Income (loss) from continuing operations	5,239	(12,059)	17,298	(143)
Discontinued operations				
Loss from discontinued operations	—	(2,071)	2,071	(100)
Gain on sale of real estate from discontinued operations	—	2,625	(2,625)	(100)
Results from discontinued operations	—	554	(554)	(100)
Net income (loss)	5,239	(11,505)	16,744	—
Net income (loss) attributable to noncontrolling interests	(1,205)	(4,488)	3,283	(73)
Net income (loss) attributable to Predecessor	$ 6,444	$ (7,017)	$13,461	—

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue decreased $3.9 million, or 3%, to $117.0 million in 2009, compared to $120.9 million in 2008. The percentage leased was as follows for each segment as of December 31, 2009 and 2008:

	Percentage Leased Year Ended December 31,	
	2009	2008
Retail	94.8%	97.7%
Office	86.9	92.6
Multifamily	93.8	95.2

The decrease in total property revenue is attributable primarily to the factors discussed below.

Rental revenues. Rental revenue decreased $4.0 million, or 3%, to $113.1 million in 2009, compared to $117.1 million for 2008. Rental income consists primarily of minimum rent, cost reimbursements from tenants, percentage rent and other rents. Rental revenue by segment was as follows (dollars in thousands):

	December 31,			
	2009	2008	Change	%
Retail	$ 74,248	$ 78,428	$(4,180)	(5)%
Office	25,443	25,215	228	1
Multifamily	13,389	13,461	(72)	(1)
	$113,080	$117,104	$(4,024)	(3)%

This decrease in retail rental revenue was primarily caused by a one-time property tax refund that was obtained by one property in March 2009 of approximately $2.7 million, of which $2.6 million was passed through to tenants during the same period and recorded as a reduction to rental revenue. On a comparable basis, adding back this property tax tenant refund to rental income in 2009, rental income actually decreased by $1.6 million or 2% in 2009. This decrease was due to reduced occupancy and rental rates. The percentage leased of our retail portfolio declined to 94.8% at December 31, 2009 from 97.7% at December 31, 2008, which contributed to a decline in revenue of $1.6 million. The percentage leased of our office portfolio declined to 86.9% at December 31, 2009 from 92.6% at December 31, 2008, however this was offset by improved rental rates which resulted in an increase in office segment revenue of $0.2 million. The percentage leased of our multifamily portfolio declined to 93.8% at December 31, 2009 from 95.2% at December 31, 2008, which contributed to a decline in multifamily revenue of $0.1 million.

Other property income. Other property income increased $0.1 million, or 3%, to $3.9 million in 2009, compared to $3.8 million in 2008. Other property income by segment was as follows (dollars in thousands):

	Year Ended December 31,			
	2009	2008	Change	%
Retail	$1,647	$1,335	$ 312	23%
Office	1,192	1,341	(149)	(11)
Multifamily	1,124	1,163	(39)	(3)
	$3,963	$3,839	$ 124	3%

Retail other property income increased to $1.6 million in 2009 from $1.3 million in 2008. The increase in retail other property income is due to settlement of an acquisition-related liability of $0.4 million at Del Monte Center. Were it not for the impact of the settlement of this liability, other property income would have actually decreased by $0.1 million, or 6.6% in 2009. The majority of the retail other property income consists of the Hawaii general excise tax that is billed to tenants at the rate of 4.75%, which is then remitted to the state at 4.5% and included in rental expenses. The Hawaii general excise tax included in retail other property income was $1.0 million in both 2009 and 2008. Office other property income decreased to $1.2 million in 2009 from $1.3 million in 2008. The majority of the office other property income consists of parking income from one office building. Parking income included in other property income was $1.0 million in 2009 compared to $1.2 million in 2008. Parking income decreased because one tenant moved out of the office building, although such tenant's lease and economic rent do not expire until February 28, 2012. Multifamily other income remained flat at $1.1 million in 2009 and 2008. The majority of multifamily other property income consists of laundry fees, meter fees on utilities billed back to tenants, and security deposits earned when tenants move out.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses decreased by $4.3 million, or 13%, to $28.6 million in 2009, compared to $32.9 million in 2008. This decrease in total property expenses is attributable primarily to the factors discussed below.

Rental Expenses. Rental expenses decreased $1.7 million, or 8%, to $20.3 million in 2009, compared to $22.0 million in 2008. Rental expense by segment was as follows (dollars in thousands):

	Year Ended December 31,			
	2009	2008	Change	%
Retail	$12,008	$13,134	$(1,126)	(9)%
Office	4,330	4,565	(235)	(5)
Multifamily	3,998	4,330	(332)	(8)
	$20,336	$22,029	$(1,693)	(8)%

Retail rental expenses decreased to $12.0 million in 2009, compared to $13.1 million in 2008. Office rental expenses decreased to $4.3 million in 2009, compared to $4.6 million in 2008. Multifamily rental expenses decreased to $4.0 million in 2009, compared to $4.3 million in 2008. The decrease in rental expenses is primarily due to a decrease in occupancy.

Real Estate Taxes. Real estate tax expense decreased $2.6 million, or 24%, to $8.3 million in 2009, compared to $10.9 million in 2008. Real estate tax expense by segment was as follows (dollars in thousands):

	Year Ended December 31,			
	2009	2008	Change	%
Retail	$5,183	$8,044	$(2,861)	(36)%
Office	2,434	2,178	256	12
Multifamily	689	668	21	3
	$8,306	$10,890	$(2,584)	(24)%

This decrease in retail real estate taxes was due primarily to a one-time property tax refund of approximately $2.7 million, that was obtained with respect to one property in March 2009 and which was recorded as a reduction of real estate tax expense in the period the refund was received due to the contingent nature of collection. A comparable real estate tax refund was not obtained during 2008. Additionally, a lower tax

assessment for 2008 at the same retail property reduced the 2009 tax bill by $0.4 million in 2009. Office property tax expense increased to $2.4 million in 2009 from $2.2 million in 2008. The increase for office property tax expense is due primarily to higher annual tax assessments. Multifamily property tax expense remained flat at $0.7 million in 2009 and 2008.

Property Operating Income

Property operating income increased $0.4 million to $88.4 million in 2009, compared to $88.0 million in 2008, due primarily to the factors discussed above.

Other

General and administrative. General and administrative expenses decreased $1.6 million, or 19%, to $7.1 million in 2009, compared to $8.7 million in 2008. This decrease in general and administrative expense is attributable to reduced compensation costs as a result of cost containment efforts.

Depreciation and amortization. Depreciation and amortization expense decreased $1.2 million, or 4%, to $29.9 million in 2009, compared to $31.1 million in 2008. This decrease was due primarily to the full amortization of certain acquired lease intangible assets and tenant improvements.

Interest income. Interest income decreased $1.0 million, or 85%, to $0.2 million in 2009, compared with $1.2 million in 2008. This decrease was primarily due to decreased interest rates earned on invested cash and notes receivable from affiliates.

Interest expense. Interest expense decreased $0.4 million, or 1%, to $43.3 million in 2009, compared with $43.7 million in 2008. This decrease was primarily due to slight decreases in average borrowing levels and interest rates.

Fee income from real estate joint ventures. Fee income from real estate joint ventures increased $0.2 million, or 13%, to $1.7 million in 2009, compared to $1.5 million in 2008. This increase is primarily attributable to increased management fees earned from The Landmark at One Market.

Loss from real estate joint ventures. Loss from real estate joint ventures decreased $14.4 million, or 75%, to $4.9 million in 2009 compared with $19.3 million in 2008. This decrease was primarily due to an impairment loss of $15.8 million in 2008 recorded on our investments in real estate joint ventures related to our investment in the Fireman's Fund Headquarters office property. We recorded this impairment as a result of the credit crisis in 2008, which caused a decline in the fair value of our investment in Fireman's Fund Headquarters that we determined was other than temporary. We will not be acquiring our Predecessor's interest in Fireman's Fund Headquarters in the formation transactions. Excluding the impairment loss in 2008, our losses from real estate joint ventures increased by $1.4 million due primarily to the results of operations at our investment in the mixed-use property in Hawaii, where there was lower paid occupancy and lower average daily rate at the hotel property for 2009 compared to 2008. Total visitor arrivals to Hawaii for 2009 were down 5.1% year over year, which impacted both the hotel and retail portions of the mixed-use property.

Loss from Discontinued Operations. Loss from discontinued operations represents the operating loss from a property in Chicago that we acquired in 2005 and disposed of in 2008, which is required to be reported separately from results of ongoing operations. The reported loss of $2.1 million in 2008, represents the loss for the period in 2008 during which we owned this property.

Gain on Sale of Real Estate from Discontinued Operations. The gain on sale of real estate from discontinued operations of $2.6 million in 2008 consisted of the sale of the Chicago property in 2008. The property was sold for $16.5 million in August 2008.

Comparison of the Year Ended December 31, 2008 to the Year Ended December 31, 2007

As of December 31, 2008 and 2007 our operating portfolio was comprised of 16 retail, office and multifamily properties with an aggregate of approximately 3.6 million rentable square feet of retail and office space and 922 residential units (including 122 RV spaces). In addition, we had noncontrolling investments in five operating properties at December 31, 2008 and 2007, which were accounted for under the equity method of accounting. The following table sets forth selected data from our consolidated statements of operations for the years ended December 31, 2008 and 2007 (dollars in thousands):

	Year Ended December 31,			
	2008	2007	Change	%
Revenues				
Rental income	$ 117,104	$113,324	$ 3,780	3%
Other property income	3,839	4,184	(345)	(8)
Total property revenues	120,943	117,508	3,435	3
Expenses				
Rental expenses	22,029	21,674	355	2
Real estate taxes	10,890	10,878	12	—
Total property expenses	32,919	32,552	367	1
Total property income	88,024	84,956	3,068	4
General and administrative	(8,690)	(10,471)	1,781	(17)
Depreciation and amortization	(31,089)	(31,376)	287	(1)
Interest income	1,167	2,462	(1,295)	(53)
Interest expense	(43,737)	(42,902)	(835)	2
Fee income from real estate joint ventures	1,538	2,721	(1,183)	(43)
Loss from real estate joint ventures	(19,272)	(7,191)	(12,081)	168
Total other, net	(100,083)	(86,757)	(13,326)	15
Income (loss) from continuing operations	(12,059)	(1,801)	(10,258)	570
Discontinued operations				
Loss from discontinued operations	(2,071)	(2,874)	803	(28)
Gain on sale of real estate from discontinued operations	2,625	—	2,625	—
Results from discontinued operations	554	(2,874)	3,428	—
Net income (loss)	(11,505)	(4,675)	(6,830)	146
Net income (loss) attributable to noncontrolling interests	(4,488)	(2,140)	(2,348)	110
Net income (loss) attributable to Predecessor	$ (7,017)	$ (2,535)	$ (4,482)	177%

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue increased $3.4 million, or 3%, to $120.9 million in 2008, compared to $117.5 million in 2007. The percentage leased by segment was as follows as of December 31, 2008 and 2007:

	Percentage Leased Year Ended December 31,	
	2008	2007
Retail	97.7%	97.5%
Office	92.6	93.9
Multifamily	95.2	96.8

The increase in total property revenue is attributable primarily to the factors discussed below.

Rental revenues. Rental revenue increased $3.8 million, or 3%, to $117.1 million in 2008, compared to $113.3 million in 2007. Rental expense by segment was as follows (dollars in thousands):

	December 31,			
	2008	2007	Change	%
Retail	$ 78,428	$ 76,720	$ 1,708	2%
Office	25,215	23,363	1,852	8
Multifamily	13,461	13,241	220	2
	$ 117,104	$ 113,324	$ 3,780	3%

This increase in rental revenue was primarily caused by an increase in rental rates across the portfolio and a slight increase in occupancy. Percentage leased of our retail portfolio increased to 97.7% at December 31, 2008, compared to 97.5% at December 31, 2007, which contributed to an increase in retail revenue of $1.7 million. Percentage leased at our office portfolio decreased to 92.6% at December 31, 2008, compared to 93.9% at December 31, 2007, which was offset by improved rental rates which contributed to an increase in office rental revenue of $1.9 million. Percentage leased at our multifamily portfolio decreased to 95.2% at December 31, 2008 from 96.8% at December 31, 2007. However, multifamily revenue increased $0.2 million due to higher average occupancy during 2008 compared to 2007.

Other property income. Other property income decreased $0.3 million, or 8%, to $3.8 million in 2008, compared to $4.2 million in 2007. Other property income by segment was as follows (dollars in thousands):

	Year Ended December 31,			
	2008	2007	Change	%
Retail	$1,335	$1,136	$ 199	18%
Office	1,341	1,920	(579)	(30)
Multifamily	1,163	1,128	35	3
	$3,839	$4,184	$ (345)	(8)%

Retail other property income increased to $1.3 million in 2008 from $1.1 million in 2007. The majority of the retail other property income consists of a Hawaiian general excise tax that is billed to tenants at the rate of 4.75%, which is then remitted to the state at 4.5% and included in rental expenses. The Hawaii general excise tax included in retail other property income was $1.0 million in 2008 and $0.9 million in 2007. Office other property income decreased to $1.3 million in 2008 from $1.9 million in 2007. The majority of the office other property income consists of parking income from one office building. Parking income included in other property income was $1.2 million in 2008, compared to $1.6 million in 2007. Parking income decreased due to one tenant downsizing a significant amount of staff, combined with reduced event parking. Multifamily other property income remained flat at $1.1 million for 2008 and 2007. The majority of multifamily other property income consists of laundry fees, meter fees on utilities billed back to tenants, and security deposits earned when tenants move out.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased by $0.4 million, or 1%, to $32.9 million in 2008, compared to $32.5 million in 2007. This increase in total property expenses is attributable primarily to the factors discussed below.

Rental Expenses. Rental expenses increased $0.4 million, or 2%, to $22.0 million in 2008, compared to $21.7 million in 2007. Rental expense by segment were as follows (dollars in thousands):

	Year Ended December 31,			
	2008	2007	Change	%
Retail	$13,134	$12,287	$ 847	7%
Office	4,565	4,647	(82)	(2)
Multifamily	4,330	4,740	(410)	(9)
	$22,029	$21,674	$ 355	2%

Retail rental expenses increased to $13.1 million in 2008, compared to $12.3 million in 2007. The increase in rental expense is primarily due to the increase in rental income for the retail portfolio. Office rental expenses remained flat at $4.6 million in 2008 and 2007. Multifamily rental expenses decreased to $4.3 million in 2008, compared to $4.7 million in 2007. The decrease is due to lower costs incurred for repairs in 2008 compared to 2007.

Real Estate Taxes. Real estate tax expense remained flat at $10.9 million in both 2008 and 2007. Real estate tax expense by segment was as follows (dollars in thousands):

	Year Ended December 31,			
	2008	2007	Change	%
Retail	$ 8,044	$ 7,851	$ 193	2%
Office	2,178	2,370	(192)	(8)
Multifamily	668	657	11	2
	$10,890	$10,878	$ 12	—

Retail property tax expense increased to $8.0 million in 2008, compared to $7.9 million in 2007 due primarily to higher annual tax assessments. Office property tax expense decreased to $2.2 million in 2008 from $2.4 million in 2007 due to a supplemental tax assessed in 2007 at the 160 King Street property that did not occur in 2008. Multifamily property tax expense remained flat at $0.7 million in 2008 and 2007.

Property Operating Income. Property operating income increased $3.1 million, or 4%, to $88.0 million in 2008, compared to $85.0 million in 2007. As discussed above, this increase is primarily attributable to an increase in rental rates across the portfolio and a slight increase in occupancy.

Other

General and administrative. General and administrative expenses decreased $1.8 million, or 17%, to $8.7 million in 2008, compared to $10.5 million in 2007. This increase was due primarily to compensation cost reduction efforts.

Depreciation and amortization. Depreciation and amortization expense decreased $0.3 million, or 1%, to $31.1 million in 2008, compared to $31.4 million in 2007. This decrease was due primarily to full amortization of certain acquired lease intangible assets and tenant improvements.

Interest income. Interest income decreased $1.3 million, or 53%, to $1.2 million in 2008, compared with $2.5 million in 2007. This decrease was primarily due to decreased interest rates earned on invested cash and notes receivable from affiliates.

Interest expense. Interest expense increased $0.8 million, or 2%, to $43.7 million in 2008, compared with $42.9 million in 2007. This increase was primarily due to slight increases in average outstanding borrowings.

Fee income from real estate joint ventures. Fee income from real estate joint ventures decreased $1.2 million, or 43%, to $1.5 million in 2008 compared to $2.7 million in 2007. This decrease is primarily attributable to acquisition fees earned on the acquisition of Fireman's Fund Headquarters in 2007.

Loss from real estate joint ventures. Loss from real estate joint ventures increased $12.1 million, or 168%, to $19.3 million for 2008 compared to $7.2 million for 2007. This increase was primarily due to an impairment loss of $15.8 million in 2008 recorded on our investments in real estate joint ventures related to our investment in Fireman's Fund Headquarters office property. We recorded this impairment as a result of the credit crisis in 2008 which caused a decline in the fair value of our investment in Fireman's Fund Headquarters that we determined was other-than-temporary. We will not be acquiring our Predecessor's interest in Fireman's Fund Headquarters in the formation transactions. Excluding the impairment loss in 2008, our losses from real estate joint ventures decreased by $3.8 million primarily attributable to our investment in a mixed-use property in Hawaii, where the hotel, which opened in 2007, incurred fewer start up costs in 2008 compared to 2007, offset by a reduction in tourism in 2008, which impacted both the hotel and retail property.

Loss from Discontinued Operations. Loss from discontinued operations represents the operating loss from a property in Chicago that we acquired in 2005 and disposed of in 2008, which is required to be reported separately from results of ongoing operations. The reported loss of $2.1 million and $2.9 million in 2008 and 2007, respectively, represents the loss for these periods relating to this property.

Gain on Sale of Real Estate from Discontinued Operations. The gain on sale of real estate from discontinued operations of $2.6 million in 2008 consisted of the sale of the Chicago property in 2008. The property was sold for $16.5 million in August of 2008.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We believe that this offering and the formation transactions will improve our financial position through changes in our capital structure, including a reduction in our leverage. After completion of this offering and the formation transactions, we expect our ratio of debt to total market capitalization to be approximately % (% if the underwriters' overallotment option is exercised in full). Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including restricted stock that we may issue to certain of our directors and executive officers, plus the aggregate value of common units not owned by us, plus the book value of our total consolidated indebtedness. Upon completion of this offering and the formation transactions, we expect to have approximately $ million of available cash (assuming no exercise of the underwriters' overallotment option). In addition, we anticipate entering into an agreement for a $ million revolving credit facility. We intend to use the revolving credit facility, among other things, to finance the acquisition of other properties, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes.

Our short-term liquidity requirements consist primarily of operating expenses and other expenditures associated with our properties, dividend payments to our stockholders required to maintain our REIT status, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash and the proceeds of this offering and, if necessary, borrowings available under our revolving credit facility.

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. For the six months ended June 30, 2010 and years ended December 31, 2009, 2008 and 2007, our weighted average annual tenant improvement and leasing commission costs were $28.93 per square foot of leased retail space and $17.47 per square foot of leased office space. As of June 30, 2010, we had commitments under leases in effect for $10.5 million of tenant improvements and leasing commissions.

Our long-term liquidity needs consist primarily of funds necessary to pay for the repayment of debt at maturity, property acquisitions, tenant improvements and non-recurring capital improvements. We expect to meet our long-term liquidity requirements to pay scheduled debt maturities and to fund property acquisitions and non-recurring capital improvements with net cash from operations, long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund property acquisitions and non-recurring capital improvements using our revolving credit facility pending permanent financing.

We believe that, upon the completion of this offering, and as a publicly traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, as a new public company, we cannot assure you that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

Contractual Obligations

The following table outlines the timing of required payments related to our commitments as of December 31, 2009 on a pro forma basis to reflect the obligations we expect to have upon completion of this offering and the formation transactions.

	Payments by Period						
Contractual Obligations (in thousands)	**Total**	**Within 1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**More than 5 Years**
Principal payments on long-term indebtedness[1]	$ 881,389	$ 2,917	$ 3,055	$ 3,335	$ 3,838	$ 234,136	$ 634,108
Interest payments[1]	337,772	53,275	53,115	52,961	50,883	43,691	83,847
Operating lease[2]	2,104	1,403	701	—	—	—	—
Tenant-related commitments	16,772	10,065	6,707	—	—	—	—
Total	$ 1,238,037	$ 67,660	$ 63,578	$ 56,296	$ 54,721	$ 277,827	$ 717,955

(1) Includes principal and interest payments on loans refinanced in June 2010 based upon refinanced interest rate and due dates.
(2) On July 30, 2010, we sent a notification letter to exercise our renewal option for our lease at the Annex portion of the Landmark at One Market to extend this lease through June 30, 2016, which otherwise would have expired on June 30, 2011. Monthly lease payments will be the greater of current payments or 97.5% of the prevailing rate at the start of the extension term.

Consolidated Indebtedness to be Outstanding after this Offering

Upon completion of this offering and the formation transactions, we expect to have approximately $879.9 million of outstanding consolidated long-term secured debt. The following table sets forth information as of June 30, 2010 (on a pro forma basis) with respect to the indebtedness that we expect will be outstanding after completion of this offering and the formation transactions (dollars in thousands):

Debt	Pro Forma Amount Outstanding	Interest Rate	Annual Debt Service	Maturity Date	Balance at Maturity
Wholly Owned Property Debt					
Alamo Quarry Market[1][2]	$ 98,954	5.67%	$ 7,567	January 8, 2014	$ 91,717
Waikele Center[3]	140,700	5.15	7,360	November 1, 2014	140,700
The Landmark at One Market[2][3]	133,000	5.61	7,558	July 5, 2015	133,000
Del Monte Center[3]	82,300	4.93	4,121	July 8, 2015	82,300
Rancho Carmel Plaza[1]	8,103	5.65	572	January 1, 2016	7,414
Imperial Beach Gardens[3]	20,000	6.16	1,250	September 1, 2016	20,000
Mariner's Point[3]	7,700	6.09	476	September 1, 2016	7,700
Torrey Reserve—ICW Plaza[3]	43,000	5.46	2,382	February 1, 2017	43,000
South Bay Marketplace[3]	23,000	5.48	1,281	February 10, 2017	23,000
Waikiki Beach Walk—Retail[3]	130,310	5.39	7,020	July 1, 2017	130,310
Solana Beach Corporate Centre III-IV[1]	37,330	6.39	2,418	August 1, 2017	35,136
Loma Palisades[3]	73,744	6.09	4,553	July 1, 2018	73,744
Torrey Reserve—North Court[1]	22,281	7.22	1,864	June 1, 2019	19,328
Torrey Reserve—VCI, VCII, VCIII[1]	7,494	6.36	560	June 1, 2020	6,439
Solana Beach Corporate Centre I-II[1]	12,000	5.91	855	June 1, 2020	10,169
Solana Beach Towne Centre[1]	40,000	5.91	2,849	June 1, 2020	33,898
Total/Weighted Average Interest Rate	**$ 879,916[4]**	**5.59%**	**$ 53,576**		**$857,855**

(1) Principal payments based on a 30-year amortization schedule.
(2) Maturity date is the earlier of the loan maturity date under the loan agreement, or the "Anticipated Repayment Date" as specifically defined in the loan agreement, which is the date after which substantial economic penalties apply if the loan has not been paid off.
(3) Interest only.
(4) Amount does not equal pro forma balance sheet due to fair value of debt adjustments.

Description of Certain Debt

The following is a summary of the material provisions of the loan agreements evidencing our material debt to be outstanding upon the closing of this offering and the consummation of the formation transactions.

Mortgage Loan Secured by Alamo Quarry

Our Alamo Quarry property is subject to senior mortgage debt with an original principal amount of $109 million, which is securitized debt that is currently held by Bank of America, N.A, as successor by merger to LaSalle Bank, N.A., as Trustee for Bear Stearns Commercial Mortgage Securities Inc., Commercial Mortgage Pass-Through Certificates Series 2003—PWR2.

Maturity and Interest. The loan has a maturity date of January 8, 2014 and bears interest at a rate per annum of 5.67%. This loan requires regular payments of principal and interest.

Security. The loan was made to two borrower subsidiaries, and is secured by a first-priority deed of trust lien on the Alamo Quarry property, a security interest in all personal property used in connection with the Alamo Quarry property and an assignment of all leases, rents and security deposits relating to the property.

Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to January 8, 2014, at which time the loan may be voluntarily prepaid without penalty or premium.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events.

Mortgage Loan Secured by Waikele Center

The Waikele Center is subject to senior mortgage debt with an original principal amount of $140.7 million, which is securitized debt that is currently held by Bank of America, N.A., as successor by merger to LaSalle Bank, N.A., as Trustee for Morgan Stanley Capital I, Inc., Commercial Mortgage Pass-Through Certificates, Series 2005-TOP17.

Maturity and Interest. The loan has a maturity date of November 1, 2014 and bears interest at a rate per annum of 5.1452%. This is an interest only loan.

Security. The loan was made to two borrower subsidiaries, and is secured by a first-priority deed of trust lien on the Waikele Center, a security interest in all personal property used in connection with the Waikele Center and an assignment of all leases, rents and security deposits relating to the property.

Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to November 1, 2014, at which time the loan may be voluntarily prepaid without penalty or premium.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events.

Mortgage Loan Secured by the Landmark at One Market

The Landmark at One Market is subject to senior mortgage debt with an original principal amount of $133.0 million, which is securitized debt that is currently held by Bank of America, N.A., as successor by merger to LaSalle Bank, N.A., as Trustee for the Morgan Stanley Capital I, Inc. Commercial Mortgage Pass-Through Certificates; Series 2005-HQ6.

Maturity and Interest. The loan has a maturity date of July 5, 2015 and bears interest at a rate per annum of 5.605%. This is an interest only loan.

Security. The loan was made to two borrower subsidiaries, and is secured by a first-priority deed of trust lien on The Landmark at One Market, a security interest in all personal property used in connection with The Landmark at One Market and an assignment of all leases, rents and security deposits relating to the property.

Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to July 5, 2015, at which time the loan may be voluntarily prepaid without penalty or premium.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.

Mortgage Loan Secured by Del Monte Center

Del Monte Center is subject to senior mortgage debt with an original principal amount of $82.3 million, which is securitized debt that is currently held by Wells Fargo Bank, N.A., as Trustee for the registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2005-C5 under that certain Pooling and Servicing Agreement, dated as of November 1, 2005.

Maturity and Interest. The loan has a maturity date of July 8, 2015 and bears interest at a rate per annum of 4.9256%. This is an interest only loan.

Security. The loan was made to four borrower subsidiaries, and is secured by a first-priority deed of trust lien on the Del Monte Center property, a security interest in all personal property used in connection with the Del Monte Center property and an assignment of all leases, rents and security deposits relating to the property.

Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to July 8, 2015, at which time the loan may be voluntarily prepaid without penalty or premium.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events.

Mortgage Loan Secured by Waikiki Beach Walk – Retail

Waikiki Beach Walk—Retail is subject to senior mortgage debt with an original principal amount of $130.3 million, which is securitized debt that is currently held by KeyCorp Real Estate Capital Markets, Inc. d/b/a KeyBank Real Estate Capital as Master Servicer in trust for Wells Fargo Bank, N.A., as trustee for the registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2008-C1.

Maturity and Interest. The loan has a maturity date of July 1, 2017 and bears interest at a rate per annum of 5.387%. This is an interest only loan.

Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on Waikiki Beach Walk—Retail, a security interest in all personal property used in connection with Waikiki Beach Walk—Retail and an assignment of all leases, rents and security deposits relating to the property.

Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to July 1, 2017, after which time the loan may be voluntarily prepaid without penalty or premium.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events.

Mortgage Loan Secured by Loma Palisades

Loma Palisades is subject to senior mortgage debt with an original principal amount of $73.7 million, which is securitized debt under the Federal Home Loan Mortgage Corporation program, or Freddie Mac, that is currently held by Wells Fargo Bank, N.A.

Maturity and Interest. The loan has a maturity date of July 1, 2018 and bears interest at a rate per annum of 6.09%. This is an interest only loan.

Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on Loma Palisades, a security interest in all personal property used in connection with Loma Palisades and an assignment of all leases, rents and security deposits relating to the property.

Prepayment. The loan may be voluntarily prepaid in whole or in part, subject to satisfaction of customary yield maintenance requirements in effect for a prepayment prior to April 1, 2018, at which time the loan may be voluntarily prepaid without penalty or premium.

Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.

Off-Balance Sheet Arrangements

Our Predecessor has four joint venture arrangements with unrelated third parties. The Predecessor accounts for these investments under the equity method of accounting. The properties owned by these unconsolidated joint ventures are as follows:

Property	Type	Location
Solana Beach Towne Centre	Retail	Solana Beach, CA
Solana Beach Corporate Centre	Office	Solana Beach, CA
Fireman's Fund Headquarters	Office	Novato, CA
Waikiki Beach Walk	Mixed-Use	Honolulu, HI

Pursuant to the formation transactions, we will acquire all of these properties, excluding Fireman's Fund Headquarters. Upon completion of this offering and the formation transactions, we will not have any joint ventures. Other than the items disclosed above under the heading "Contractual Obligations," upon the completion of this offering we will have no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Interest Rate Risk

FASB ASC Topic 815, Derivative and Hedging, requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that do not qualify as hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of equity. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Upon completion of this offering and the repayment of indebtedness described in "Use of Proceeds," we will not hold any variable-rate debt and will not be subject to fluctuations in interest rates in the near term.

Cash Flows

Comparison of the six months ended June 30, 2010 to the six months ended June 30, 2009

Cash and cash equivalents were $31.6 million and $28.5 million as of June 30, 2010 and 2009, respectively.

Net cash provided by operating activities decreased by $4.2 million to $23.4 million for the six months ended June 30, 2010, compared to $27.6 for the six months ended June 30, 2009. The decrease was primarily due to cash of $2.7 million for a property tax refund received in March 2009 and lower net income for 2010, excluding the non-cash gain on the acquisition of The Landmark at One Market of $4.3 million.

Net cash used in investing activities increased $7.1 million to $11.4 million for the six months ended June 30, 2010, compared to $4.3 million for the six months ended June 30, 2009. The increase was primarily due to the acquisition of the outside ownership interest in The Landmark at One Market for $19.7 million, net of cash acquired of $3.3 million. This was offset by distributions of $10.6 million from the equity investment in the Solana Beach Towne Centre and Solana Beach Corporate Centre properties upon refinance of the debt on the properties. Additionally, $0.8 million in notes receivable were paid to us by an affiliate, and there was $0.8 million lower use of cash for capital expenditures.

Net cash used in financing activities decreased $9.1 million to $4.6 million for the six months ended June 30, 2010, compared to $13.7 million for the six months ended June 30, 2009. The decrease was primarily due to new financings of $23.0 million made upon the acquisition of Landmark. The increased financing was offset by an $8.4 million increase in distributions to controlling and noncontrolling interests. Additionally, excluding the $23.0 million financing for The Landmark at One Market, net repayments of loans increased by $4.4 million in the aggregate in connection with the refinancing of certain loans on Torrey Reserve Campus, including the Torrey Reserve—VCI, Torrey Reserve—VCII, and Torrey Reserve—VCIII loans in June 2010 and refinancing the Torrey Reserve—North Court and Torrey Reserve—Daycare loans in May 2009.

Comparison of year ended December 31, 2009 to the year ended December 31, 2008

Cash and cash equivalents were $24.2 million and $19.0 million, at December 31, 2009 and 2008, respectively.

Net cash provided by operating activities decreased $0.1 million to $47.5 million for the year ended December 31, 2009, compared to $47.6 million for the year ended December 31, 2008.

Net cash used in investing activities decreased $9.6 million to $7.5 million for the year ended December 31, 2009, compared to cash flow provided by investing activities of $2.1 million for the year ended December 31, 2008. The decrease was primarily due to the sale of a property in Chicago in 2008 that resulted in $16.5 million of cash proceeds, with no comparable sale in 2009. The cash flow from the sale was offset by a decrease of $12.9 million in the use of cash for capital expenditures in 2009 as compared to 2008 related primarily to construction activities at Valencia Corporate Center and Waikele Center in 2008 and a decrease of $1.7 million in cash used for lease commissions due to fewer new leases and lease renewals in 2009. In addition, the funding of notes to AAI decreased from net issuances of $3.5 million in 2008 compared to net repayments of $1.1 million in 2009, including repayments of notes related to discontinued operations. The decrease in cash outflows were offset by a decrease in distributions of capital from real estate joint ventures, which were $11.4 million in 2008 and $0.0 million in 2009.

Net cash used in financing activities decreased $15.3 million to $34.7 million for the year ended December 31, 2009, compared to $50.0 million for the year ended December 31, 2008. The decrease was primarily due to lower net distributions of $52.1 million to controlling and noncontrolling interests including a $15.9 million distribution in 2008 after the sale of a property in Chicago. Net distributions were $23.5 million in 2009, compared to $59.6 million in 2008, excluding the $15.9 million distribution after the sale of the Chicago property. Additionally, net borrowings decreased by $36.7 million to net repayments of $(10.7) million in 2009, compared to net issuances of $26.0 million in 2008 related to the refinancing of the Loma Palisades debt and issuances of notes to affiliates.

Comparison of the year ended December 31, 2008 to the year ended December 31, 2007

Cash and cash equivalents were $19.0 million and $19.2 million, at December 31, 2008 and 2007, respectively.

Net cash provided by operating activities increased by $16.4 million to $47.6 million for the year ended December 31, 2008, compared to $31.2 million for the year ended December 31, 2007. The increase was primarily due to an increase in net income, excluding a $15.8 million impairment loss recorded on the investment in Fireman's Fund in 2008, and additional distributions from operations of unconsolidated real estate joint ventures in 2008.

Net cash provided by investing activities increased $46.5 million to $2.1 million for the year ended December 31, 2008, compared to net cash used of $44.4 million for the year ended December 31, 2007. The increase was primarily due to increased net cash flows from unconsolidated joint ventures of $31.3 million from a use of cash of $19.9 million in 2007, compared to sources of cash of $11.4 million in 2008. This increase is due primarily to the formation of the entity owning Fireman's Fund Headquarters and additional contributions to the Waikiki Beach Walk entities in 2007, offset by distributions by the entities owning Solana Beach Towne Centre and Solana Beach Corporate Centre and one Waikiki Beach Walk entity upon refinancing of the loans at those properties. In 2008, distributions of capital from real estate joint ventures of $11.4 million were received from a Waikiki Beach Walk entity related to the refinancing of debt. In addition cash flow from investing activities related to discontinued operations increased by a net of $14.7 million, related to the sale of an operating property in 2008.

Net cash used in financing activities was $50.0 million for the year ended December 31, 2008, compared to net cash provided by financing of $18.9 million for the year ended December 31, 2007. The increase was primarily due to increased net distributions to controlling and noncontrolling interests of $74.0 million, primarily as a result of cash available for distribution from operations and distributions to controlling interests of $15.9 million upon sale of the property in 2008. Additionally, net issuances of debt increased by $5.4 million related to the refinancing of the Loma Palisades loan in 2008 and issuance of notes to affiliates and the South Bay Marketplace, Torrey Reserve—ICW Plaza and Valencia Corporate Center loan refinances in 2007.

Net Operating Income

Net Operating Income, or NOI, is a non-GAAP financial measure of performance. NOI is used by investors and our management to evaluate and compare the performance of our properties and to determine trends in earnings and to compute the fair value of our properties as it is not affected by (1) the cost of funds of the property owner, (2) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP, or (3) general and administrative expenses and other gains and losses that are specific to the property owner. The cost of funds is eliminated from net income because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in our retail, office or multifamily properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly timed purchases or

sales. We believe that eliminating these costs from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, interest income and other expense, depreciation and amortization expense and gains or losses from the sale of properties, and other gains and losses as stipulated by GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, all of which are significant economic costs. NOI may fail to capture significant trends in these components of net income which further limits its usefulness.

NOI is a measure of the operating performance of our properties but does not measure our performance as a whole. NOI is therefore not a substitute for net income as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income computed in accordance with GAAP and discussions elsewhere in "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the components of net income that are eliminated in the calculation of NOI. Other companies may use different methods for calculating NOI or similarly entitled measures and, accordingly, our NOI may not be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

The following is a reconciliation of our pro forma and historical NOI to net income for the six months ended June 30, 2010 and June 30, 2009 and for the years ended December 31, 2009, 2008 and 2007 computed in accordance with GAAP (in thousands):

	Pro Forma Six Months Ended June 30,	Historical Predecessor Six Months Ended June 30,		Pro Forma Year Ended December	Historical Predecessor Year Ended December 31,		
	2010	2010	2009	2009	2009	2008	2007
Net operating income	$ 64,578	$ 42,407	$ 44,626	$ 133,343	$ 88,401	$ 88,024	$ 84,956
General and administrative	(4,465)	(3,408)	(3,756)	(9,050)	(7,058)	(8,690)	(10,471)
Depreciation and amortization	(25,465)	(14,739)	(14,902)	(51,309)	(29,858)	(31,089)	(31,376)
Interest income and other, net	(121)	31	109	(113)	173	1,167	2,462
Interest expense	(26,752)	(21,278)	(21,489)	(53,825)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	—	1,943	871	—	1,736	1,538	2,721
Income (loss) from real estate joint ventures	—	1,407	(2,503)	—	(4,865)	(19,272)	(7,191)
Results from discontinued operations	—	—	—	—	—	554	(2,874)
Net income (loss)	$ 7,775	$ 6,363	$ 2,956	$ 19,046	$ 5,239	$ (11,505)	$ (4,675)
Other Net Operating Income Data							
Net operating income	$ 64,578	$ 42,407	$ 44,626	$ 133,343	$ 88,401	$ 88,024	$ 84,956
Above and below market rents	747	876	701	1,151	1,407	170	(294)
Straight line rent adjustments	(1,239)	(515)	(558)	(2,384)	(943)	(2,119)	(2,279)

Funds From Operations

We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth a reconciliation of our pro forma FFO for the six months ended June 30, 2010 and the year ended December 31, 2009 to net income, the nearest GAAP equivalent (in thousands):

	Pro Forma	
	Six Months Ended June 30, 2010	Year Ended December 31, 2009
Pro forma net income	$ 7,775	$ 19,046
Plus: pro forma real estate depreciation and amortization	25,465	51,309
Pro forma funds from operations	$ 33,240	$ 70,355

Inflation

Substantially all of our office and retail leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above. In addition, our multifamily leases (other than at our RV resort where spaces can be rented at a daily, weekly or monthly rate) generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms, and generally allow for rent adjustments at the time of renewal, which we believe reduces our exposure to the effects of inflation.

Recently Issued Accounting Literature

FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board, or FASB, issued new accounting requirements, which make the FASB Accounting Standards Codification, or Codification, the single source of

authoritative literature for U.S. accounting and reporting standards. The Codification is not meant to change existing GAAP but rather provide a single source for all literature. The standard is effective for all periods ending after September 15, 2009. The standard required our financial statements to reflect Codification or "plain English" references rather than references to FASB Statements, Staff Positions or Emerging Issues Task Force Abstracts. The adoption of this requirement impacted certain disclosures in the financial statement but did not have an impact on our combined financial position, results of operations, or cash flows.

Recently Adopted Accounting Pronouncements

Effective January 1, 2009, we adopted a new accounting standard that broadens and clarifies the definition of a business, which will result in significantly more of our acquisitions being treated as business combinations rather than asset acquisitions. The new requirement is effective for business combinations for which the acquisition date is on or after January 1, 2009, and therefore, will only impact prospective acquisitions with no change to the accounting for acquisitions completed prior to or on December 31, 2008. The new standard requires us to expense all acquisition related transaction costs as incurred which could include broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees. For acquisitions prior to January 1, 2009, these costs were capitalized as part of the acquisition cost. While the adoption did not have a material impact on our Predecessor's financial statements for 2009, the impact to our future combined financial statements will vary significantly depending on the timing and number of acquisitions or potential acquisitions, size of the acquisitions, and location of the acquisitions. The new standard includes several other changes to the accounting for business combinations including requiring contingent consideration to be measured at fair value at acquisition and subsequently remeasured through the income statement if accounted for as a liability as the fair value changes, any adjustments during the purchase price allocation period to be "pushed back" to the acquisition date with prior periods being adjusted for any changes, and the business combination to be accounted for on the acquisition date or the date control is obtained.

Effective January 1, 2009, we adopted a new accounting standard that significantly changes the accounting and reporting of minority interests in the combined financial statements and requires a noncontrolling interest, which was previously referred to as a minority interest, to be recognized as a component of equity rather than included in the mezzanine section of the balance sheet where it was previously presented. The terminology "minority interest" has been changed to "noncontrolling interest." The "minority interest" caption on the statement of operations is now reflected as "net income attributable to noncontrolling interests" and shown after combined net income. This is a presentation only change for minority interest on both the balance sheet and statement of operations and has no impact to total liabilities and shareholders' equity, or net income available to common shareholders. The statement also requires the recognition of 100% of the fair value of assets acquired and liabilities assumed in acquisitions of less than 100% controlling interest with subsequent acquisitions of the noncontrolling interest recorded as equity transactions. The new accounting standard was adopted effective January 1, 2009 and has been applied prospectively except for the presentation changes to the balance sheet and statement of operations which have been applied retrospectively in the 2008 and 2007 combined financial statements. While there was no additional impact on the combined financial statements during 2009, the impact on our future combined financial statements will vary depending on the level of transactions with entities involving noncontrolling interests. The adoption of this standard impacted our accounting for the acquisition of the outside interest in The Landmark at One Market.

Effective January 1, 2009, we adopted a new accounting standard that requires enhanced disclosures about an entity's derivative instruments and hedging activities. The adoption did not have an impact on our combined financial statements as we currently have no derivative instruments outstanding.

Effective January 1, 2009, we adopted a new accounting standard which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The new accounting standard clarifies that equity method investments should initially be measured at cost, the issuance of shares by the investee would result in a gain or loss on issuance of shares reflected in the income statement of the equity

investor, and that a loss in value of an equity investment which is other than a temporary decline should be recognized. The standard was effective on a prospective basis beginning on January 1, 2009, and did not have a material impact on our financial position, results of operations, or cash flows.

Effective January 1, 2009, we adopted certain accounting guidance within ASC Topic 740, *Income Taxes*, or ASC 740, with respect to how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. The guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit of expense in the current year. We are required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. We have had no examinations in progress and none are expected at this time. As of December 31, 2009, we have reviewed all open tax years and major jurisdictions and concluded the adoption of the new accounting guidance resulted in no impact to our financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

As of April 1, 2009, we adopted a new accounting standard which establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued and requires disclosure of the date through which subsequent events have been evaluated.

In June 2009, the FASB issued a new accounting standard which provides certain changes to the evaluation of a VIE including requiring a qualitative rather than quantitative analysis to determine the primary beneficiary of a VIE, continuous assessments of whether an enterprise is the primary beneficiary of a VIE, and enhanced disclosures about an enterprise's involvement with a VIE. The standard is effective January 1, 2010, and is applicable to all entities in which an enterprise has a variable interest. The adoption of this standard did not have a material impact on our financial position, results of operations, or cash flows.

In January 2010, the FASB issued a new accounting standard to improve disclosure over fair value measurements. The new standard amends previously issued guidance and clarifies and provides additional disclosure requirements relating to recurring and non-recurring fair value measurements. This standard became effective for our on January 1, 2010. The adoption of the standard did not have a material impact on our combined financial statements.

Unaudited Interim Information

The financial statements as of June 30, 2010 and for the six months ended June 30, 2010 and 2009 are unaudited. In the opinion of management, such financial statements reflect all adjustments necessary for a fair presentation of the respective interim periods. All such adjustments are of a normal recurring nature.

Quantitative and Qualitative Disclosures about Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. As of June 30, 2010, we do not hold any derivative financial instruments.

Under our pro forma capital structure, we do not hold any variable-rate debt and are not subject to fluctuations in interest rates in the near term.

As of June 30, 2010, on a pro forma basis, our total consolidated outstanding debt was approximately $879.9 million of fixed-rate secured mortgage loans. As of June 30, 2010, the fair value of our pro forma fixed rate secured mortgage loans was approximately $852.9 million.

INDUSTRY BACKGROUND AND MARKET OPPORTUNITY

Unless otherwise indicated, all information in this Industry Background and Market Opportunity section is derived from the market study prepared for us by RCG.

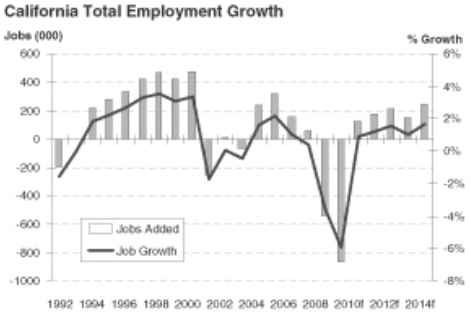
Our Markets

We will primarily target high-barrier-to-entry markets in Southern and Northern California and Hawaii that exhibit attractive economic fundamentals and have favorable long term supply-demand characteristics. Specifically, our target markets in California include the metropolitan areas of San Diego, Los Angeles and Orange County as well as the San Francisco Bay Area. In Hawaii, our target markets include the greater Honolulu area, where our existing assets are located, but may include other markets and submarkets that exhibit similar attractive investment fundamentals. Listed below is a summary of the California and Hawaii economies, summaries of each of our existing target markets, as well as San Antonio, Texas, where we own a premier retail center.

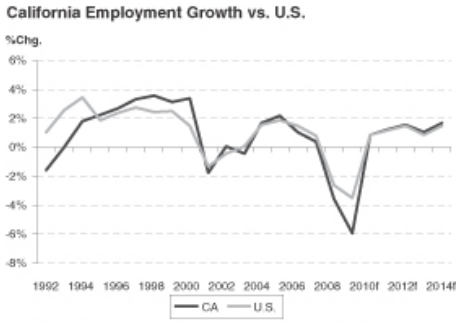
California Economy

California is the largest state economy in the United States and represents the equivalent of the world's eighth largest economy, producing $1.8 trillion in goods and services in 2008 and accounting for approximately 13% of the national gross domestic product. According to RCG, California accounts for roughly one out of every 10 workers in the United States and has non-farm employment of more than 13.9 million people as of May 2010. California's mean income per capita was 8.2% higher than the national figure in 2009, illustrating the state's highly educated workforce and greater share of skilled workers. Major industries within the state include technology innovation and investment, financial services, life sciences, media, trade, agriculture and tourism. California is a highly attractive place to live and work and tends to recover more quickly from recessions as population growth fuels economic expansion. Additionally, the state's diverse industry mix has historically led to stronger economic growth during periods of national economic expansion. As a result of California's attractive economic fundamentals, we believe that California is well positioned for meaningful growth in the coming years and presents a compelling commercial real estate investment opportunity and environment.

According to RCG, California is slowly emerging from the recent recession with employment gains in recent months serving as a leading indicator. RCG expects job creation to continue in 2010, at 0.9% or 124,000 jobs, but to accelerate in 2011 and 2012 to 1.3% and 1.6%, respectively, adding 394,000 jobs during the two-year period.



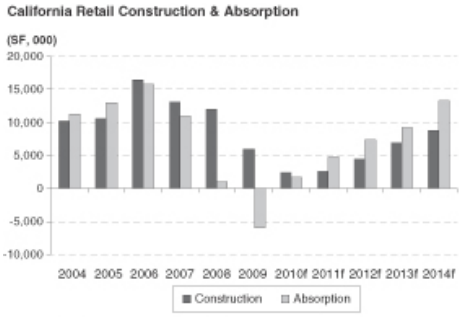
Sources: BLS, California Employment Development Department, RCG



Sources: BLS, California Employment Development Department, RCG

Retail

Regionally, 70% of California's retail space is located in Southern California including the Los Angeles, Orange County, San Diego and Inland Empire metropolitan areas. While the overall retail market softened in 2009, positive trends in retail sales and cargo volumes at California ports suggest that consumers are becoming more confident in their personal financial situations and demand for retail space is expected to increase accordingly. Tourism plays a significant role in the support of California's retail market, with visitors to the state spending an estimated $87.7 billion in 2009 according to the California Travel & Tourism Commission. RCG expects the volume of tourism in the state to increase over the next several years, especially from international visitors. In 2010, vacancy is expected to stabilize at 8.4% and decrease incrementally to reach 6.0% by 2014.



Sources: CBRE, Marcus & Millichap, RCG

Sources: CBRE, Marcus & Millichap, RCG

California's limited desirable land supply, stringent regulatory environment and environmental restrictions make it one of the most challenging markets in the United States for new construction, thus limiting new supply. Additionally, high land and construction costs and challenging financing conditions for new construction are also factors that will limit development of new retail projects.

Office

California's office market contains more than 634 million square feet of office space across the state. Approximately 55% of the total office space is located in Southern California metropolitan areas, including Los Angeles, Orange County, San Diego, Inland Empire and Ventura. The remaining 45% of the inventory is located in Northern California metropolitan areas including San Francisco, Sacramento, Oakland and San Jose. California's world-class educational and research institutions foster a relatively high education base for California's population, thus supporting a dynamic demand for office space as innovation leads the growth phase of economic cycles. RCG believes the California office market bottomed in mid-2010 after a 6.4% increase in vacancy over the last two years. By 2014, RCG expects total California office vacancy to reach 13.1%, as compared to the projected year-end 2010 vacancy of 18.3%.

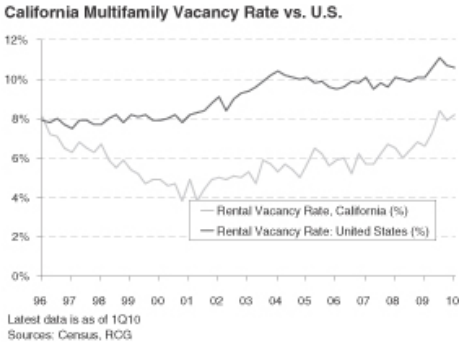
Sources: Cushman & Wakefield, CBRE, RCG

Sources: Cushman & Wakefield, CBRE, RCG

Barriers to entry in California's office market are generally high, particularly in coastal regions. A lack of developable land inhibits large new developments in most major metropolitan areas. Additionally, highly restrictive building codes, extensive planning and environmental review and approval requirements, and high land and construction costs also serve to discourage new development.

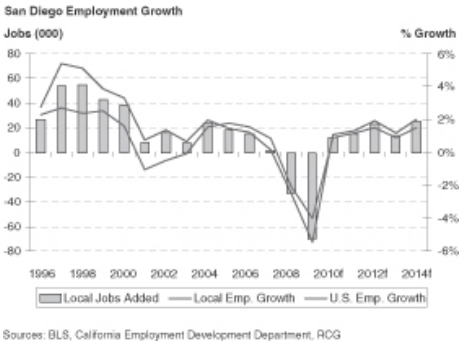
Multifamily

For a majority of the last 15 years, the state of California recorded a lower rental vacancy rate than the United States as a whole. Limited supply, strong demand, a low rate of single family housing affordability, as well as strong demographics support RCG's long-term view that the California multifamily market should continue to outperform the nation as a whole. In the last few years, new construction activity fell to the lowest level since 1960. From 2000 to 2009, the California population increased by nearly 5.1 million people, a slowdown from peak growth in the 1980s, but rapid on a relative basis when compared with the country as a whole. In the fourth quarter of 2009, the vacancy rate was 7.9% in California as compared with 10.7% nationally. Through the remainder of 2010, the leasing market should stabilize and RCG forecasts the vacancy rate to reach 7.7% at the end of the year. After shedding jobs for several years, 139,000 jobs were created in California during the first five months of 2010, which will help to begin the process of stabilizing rental demand in 2010, accelerating thereafter, and contributing to the rebound of the apartment market. Rent growth slowed dramatically in 2009, however remained positive, dropping to only 0.2% from an annual average of 4.8% from 2000 to 2008. As the economy strengthens in 2011, job opportunities and income growth are expected to improve and the multifamily vacancy rate is expected to move below 7.0%. By 2014, RCG expects the vacancy rate to reach 5.6%.



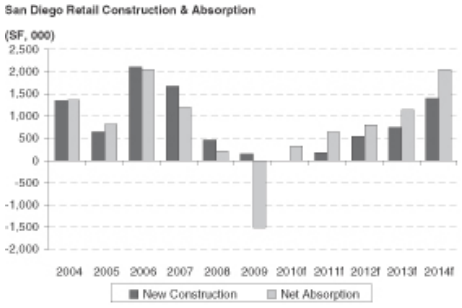
San Diego, California

The combination of San Diego's desirable quality of life, highly skilled work force and significant military presence make it an attractive market to both own and operate real estate. Twelve Navy and Marine bases are located in the area and support an estimated 342,000 jobs. The technology sector also plays a large role in San Diego's economy with 300 new firms adding 1,070 new jobs in 2009. Recent increases in venture capital investments indicate the potential for continued growth and expansion in the San Diego economy.



Retail

The San Diego retail market had total absorption of 110,000 square feet in the first quarter of 2010 resulting in a decrease in total vacancy of 0.2%. Demand is expected to continue to increase over the coming years and RCG projects retail vacancies to drop to 2.4% in 2014. Supply constraints, due to high barriers-to-entry, keeps vacancy low in this market and benefits existing properties. According to RCG, the growing population, improved hiring, and rebound in tourism are expected to stimulate growth in retail sales in the coming years, contributing to strength in the San Diego retail market.



Sources: CBRE, RCG

Sources: CBRE, RCG

Office

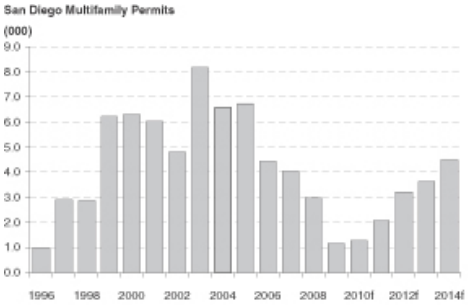
San Diego's non-central business district office market vacancy increased to a historically high level in 2009, but has begun to improve, falling from 22.3% to 21.0% in the first quarter of 2010. As a result of the recent weakness in the market, few new construction projects are currently underway, which should further help vacancy rates fall as space leases up. After a significant decline in asking rents of 12.8% year-over-year in the fourth quarter of 2009, rents were relatively flat during the first quarter of 2010 throughout the suburban office market. RCG expects rent growth in 2011 of 1.9% and an average annual rent growth of 5.2% between 2012 and 2014.

Sources: CBRE, RCG

Sources: CBRE, RCG

Multifamily

San Diego rental demand has regained momentum, recording total vacancy of 8.5% in the first quarter of 2010 as compared to 9.9% one year prior. Condo conversions have added some new supply to the market; however, the concentration is primarily limited to the downtown submarket. RCG expects total vacancy to decrease to 6.0% by 2014 and expects average annual rent growth of 3.6% throughout that time period. Construction activity is expected to grow over the next several years, but remain significantly below peak levels.

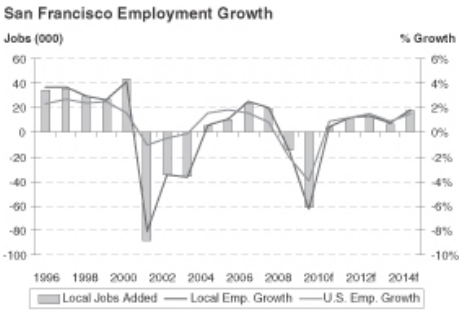


Sources: Census, RCG

Sources: Census, RCG

San Francisco, California

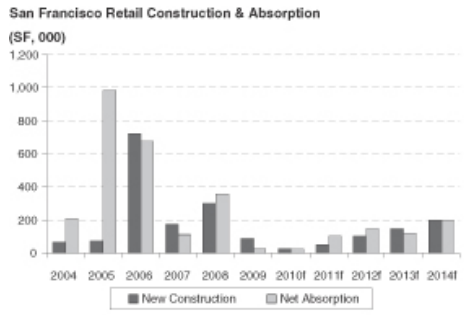
San Francisco is a major, world class city located in Northern California that has a diverse economic base and that draws visitors from around the globe. Home to many software development firms, San Francisco is considered a hub of the technology industry and thus the desired location for many new companies involved in online entertainment, social networking and clean-tech. San Francisco's economy was impacted by the recent recession and, coupled with an already high cost of living, had negative population growth of 0.4% in 2009. However, signs of economic improvement are evident, and RCG expects total employment during 2010 to increase 0.4%, a net gain of 4,100 jobs, and forecasts continued job growth through 2014.



Sources: BLS, California Employment Development Department, RCG

Retail

RCG expects growth in San Francisco's retail market to be modest in the near term, but expects vacancy to decrease to approximately 2.0% by 2014 and rents to grow to nearly 4% annually in 2014. Increased tourism to San Francisco and Marin County's wine country is expected to drive retail growth during this time period.

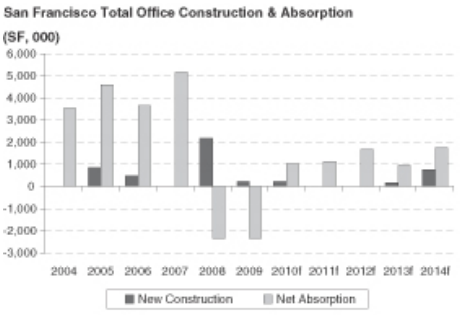


Sources: Marcus & Millichap, RCG

Sources: Marcus & Millichap, RCG

Office

Downtown San Francisco is home to numerous law offices, advertising, engineering and financial firms that represent major tenants supporting the central business district office market. The office vacancy rate in San Francisco's central business district trended downward 30 basis points from year-end 2009 to 12.6% in the first quarter of 2010. A rebound in hiring through the second half of the year as well as the improving leasing environment is expected to contribute to a rise in new and renewal leasing activity. As a result, RCG expects the vacancy rate to improve to 12.1% by year-end 2010 with no new construction activity through 2013.



Sources: Cushman & Wakefield, RCG

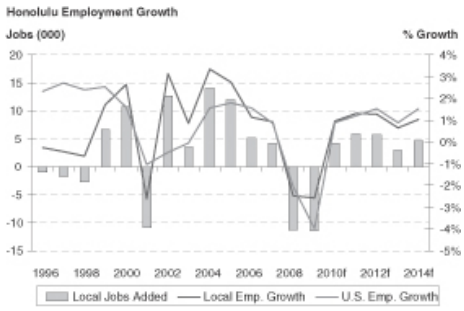
Sources: Cushman & Wakefield, RCG

Hawaii Economy

The State of Hawaii, which has a total population of approximately 1.3 million, consists of the eight major islands of Oahu, Maui, Kauai, Molokai, Lanai, Kahoolawe, Niihau and the Island of Hawaii. The Island of Oahu, which has a population of approximately 0.9 million, is the most populous, with approximately 74.3% of Hawaii's 587,900 jobs as of June 2010, and 70.1% of Hawaii's civilian workforce. The downtown area of Honolulu, Hawaii's capital city, is located at the southeast section of Oahu and represents the political, economic, and cultural center of Hawaii as well as a center of international trade and travel for the United States and Asia. In addition to Hawaii's tourism and construction industries and a strong military presence, the Hawaiian Islands derive a significant portion of their employment from the health care, finance, education and trade industries.

Honolulu, Hawaii

The Honolulu economy experienced a significant rebound in employment from September 2009 through March 2010, with the economy adding 5,000 jobs, regaining 20% of the jobs lost during the recent recession. According to RCG, this momentum is expected to continue through the remainder of 2010, with total employment expected to increase by 1.0% year-over-year in December. Tourism activity in Hawaii suffered through the recession and resulted in job losses in the leisure and hospitality sector. As the economic recovery continues, tourism is expected to increase, and hiring in the leisure and hospitality sector should follow suit. The education and health services sector, another major driver of economic growth, sustained healthy expansion through the recession, and is expected to drive overall employment growth. RCG expects total employment growth will accelerate to 1.3% in 2011 and 2012, slow to 0.7% in 2013, and increase in 2014 to 1.0%. The unemployment rate fell to 5.9% in March 2010 from 6.1% at year-end 2009. Given Hawaii's low rate of population growth (0.4% annually since 1990) and consequently smaller labor force, historically, the unemployment rate has trended much lower than the national average.



Sources: BLS, RCG

Retail

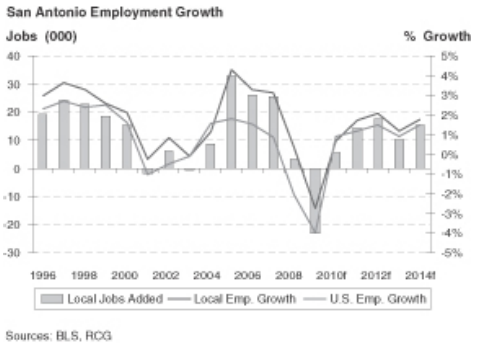
Honolulu's retail market is one of the healthiest commercial real estate sectors in Oahu. The Honolulu retail vacancy rate declined by 40 basis points in 2009 to 2.5%, and further to 2.2% in the first quarter of 2010. Rents continued to grow during the same period, increasing by 13.2% year-over-year in the fourth quarter of 2009, and increasing an additional 12.6% during the first quarter 2010. RCG believes that as hiring increases and the global economy improves, tourism activity will also increase, as will consumer spending by local residents who frequent restaurants and stores. The vacancy rate is expected to decline to 2.1% by year-end 2011, and will fluctuate between 2.0% and 3.2% through 2014. Rent growth is forecast to average 2.6% annually from 2011 through 2014.

Hospitality

Hawaii's hotel industry is in the early stages of recovery as tourism activity continues to gain momentum. Year-to-date through June 2010, the statewide hotel occupancy rate increased 7.5% to 69.0%, while revenue per available room (RevPAR) was up 1.2% during the same period to $118.58, according to STR Global, an independent hospitality industry research company. On the island of Oahu, occupancy was up 7.1% to 75.0% in the first half of 2010, while RevPAR grew 2.6% to $144.57. According to STR Global, across the country, the upscale and upper upscale segments of the market, which includes Embassy Suites™, have rebounded sooner than the lower end of the spectrum. STR Global classifies the hotel industry into the following chain scales, as determined by each brand's average system-wide daily rates: luxury, upper-upscale, upscale, midscale with food and beverage, midscale without food and beverage and economy, and we use the terms "upscale" and "upper-upscale" consistent with these classifications. Instability in other tropical North American tourist destinations and an Asian economic recovery are expected to continue to boost visitor volumes to Hawaii and hotel industry performance.

San Antonio, Texas

Home to a large military and student population, San Antonio has been ranked by Forbes magazine as one of the fastest-recovering cities in the United States. RCG expects job growth for the area to be slightly positive for 2010 at 0.7% and increase to 1.7% in 2011. San Antonio's job growth is forecast to outpace that of the broader country in each year, from 2011 until 2014. Over the same time period, San Antonio personal income growth is projected to average 6.3% annually and household income growth is projected to average 4.5% annually. There are three military bases within the metropolitan San Antonio area supporting thousands of jobs and which could bring approximately 5,000 more as a result of the Base Realignment and Closure program.



Sources: BLS, RCG

Retail

San Antonio's retail market is supported by both local resident activity and tourism. Retail sales for the first quarter of 2010 improved over the prior quarter and construction activity slowed in 2009, both positive indicators for the retail real estate market. RCG expects retail occupancy and rental rates to improve in San Antonio as the economy continues to recover and consumers are more secure in their employment, with vacancy projected to decrease to 8.9% by 2014 and rents to increase 2.2% annually from 2011 through 2014.

Sources: Marcus & Millichap, RCG

Sources: Marcus & Millichap, RCG

BUSINESS AND PROPERTIES

Overview

We are a full service, vertically integrated and self-administered real estate investment trust, or REIT, that owns, operates, acquires and develops high quality retail and office properties in attractive, high-barrier-to-entry markets primarily in Southern California, Northern California and Hawaii. We were formed to succeed to the real estate business of American Assets, Inc., a privately held corporation founded in 1967 and, as such, we have significant experience, long-standing relationships and extensive knowledge of our core markets, submarkets and asset classes. Our senior management team's operational experience includes overseeing the acquisition or development of more than 9.5 million square feet of retail and office properties and more than 4,600 multifamily units, as well as the disposition of over 4.2 million square feet of retail and office properties and more than 3,600 multifamily units. Based on our experience, and given our focused market strategy, we believe our multi-asset class strategy positions us to maximize the value of our portfolio and pursue our growth strategies.

Upon consummation of this offering, we expect that our portfolio will be comprised of ten retail shopping centers; five office properties; a mixed-use property consisting of a 369-room all-suite hotel and a retail shopping center; and four multifamily properties. A summary of certain information regarding our portfolio, as of June 30, 2010, is set forth below. The following information excludes revenue from the hotel portion of our mixed-use property.

- ***Retail:*** Ten properties comprising approximately 3.0 million rentable square feet, which are approximately 96.0% leased and constitute approximately 45.5% of the total annualized base rent of our portfolio as of June 30, 2010;

- ***Office:*** Five properties comprising approximately 1.5 million rentable square feet, which properties are approximately 91.7% leased and represent approximately 37.6% of the total annualized base rent of our portfolio as of June 30, 2010;

- ***Mixed-use:*** Our Waikiki Beach Walk property is comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel, which was redeveloped in 2007. The retail space represents approximately 6.7% of the total annualized base rent of our portfolio for as of June 30, 2010; and

- ***Multifamily:*** Three apartment communities with stabilized occupancy rates, as well as an RV resort, which is currently operated as part of our multifamily portfolio, in aggregate comprising 922 multifamily units (including 122 RV spaces), which are approximately 93.2% leased and represent approximately 10.2% of the total annualized base rent of our portfolio as of June 30, 2010.

We believe our core markets, which historically have included San Diego, the San Francisco Bay Area and Oahu, Hawaii, are characterized by some of the highest barriers to entry for new real estate construction in the United States, as well as strong demographics and dynamic, diversified economies that will continue to generate jobs and future demand for commercial real estate. We anticipate that the diversity of our asset classes and the depth and breadth of our real estate experience will allow us to capitalize on revenue-enhancing opportunities in our portfolio and source and execute new acquisition and development opportunities in our core markets, while maintaining stable cash flows throughout various business and economic cycles.

We were formed as a Maryland corporation in July 2010. Ernest S. Rady, our Executive Chairman, when combined with his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, is our largest stockholder. Mr. Rady has over 40 years of experience in the commercial real estate industry and has extensive public company experience, including acting as the founder, Chief Executive Officer and director of Westcorp Inc. and WFS Financial Inc., two financial services companies, in addition to serving on the board of three other

public companies. Upon completion of this offering, Mr. Rady and his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, will own approximately % of our common stock, approximately % of our common units and approximately % of our company on a fully diluted basis (assuming the exchange of all common units for shares of our common stock). In addition to Mr. Rady, our highly experienced senior management team also includes, among others, John W. Chamberlain and Robert F. Barton, our Chief Executive Officer and Chief Financial Officer, respectively. Messrs. Chamberlain and Barton, who have worked alongside Mr. Rady for 22 and 12 years, respectively, are responsible, along with Mr. Rady, for our strategic planning and day-to-day operations. Our senior management team has been integrally involved in the acquisition, development and redevelopment, management, leasing and financing of, and the joint venture activity relating to, our portfolio. Furthermore, our senior management team has significant real estate experience, long-standing industry, corporate and institutional relationships, and extensive knowledge of our core markets, submarkets and assets classes, which we believe provide us with a significant competitive advantage that will enhance our ability to source leasing and acquisition opportunities and access capital.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of commercial real estate and will enable us to take advantage of new acquisition and development opportunities, as well as growth opportunities within our portfolio:

- ***Irreplaceable Portfolio of High Quality Retail and Office Properties.*** We have acquired and developed a high quality portfolio of retail and office properties located in affluent neighborhoods and sought-after business centers in Southern California, Northern California, Oahu, Hawaii and San Antonio, Texas. We believe many of our properties currently achieve rental and occupancy rates equal to or above those typically prevailing in their respective markets due to their desirable and competitively advantageous locations within their submarkets, as well as our hands-on management approach. Many of our properties are located in in-fill locations where developable land is scarce. In addition, even where land is available near our properties, we believe current zoning, environmental and entitlement regulations significantly restrict new or additional development.

- ***Experienced and Committed Senior Management Team with Strong Sponsorship.*** The members of our senior management team have significant experience in all aspects of the commercial real estate industry, specifically in our core markets. In addition, Messrs. Rady, Chamberlain and Barton, each of whom has in excess of 25 years of commercial real estate experience, have worked together at American Assets, Inc. for 12 years, while Messrs. Wyll and Kinney, each of whom has in excess of 16 years of commercial real estate experience, have worked together with Messrs. Rady, Chamberlain and Barton at American Assets, Inc. for six years. During their tenure at American Assets, Inc., our senior management has overseen the acquisition or development and operation of more than 9.5 million rentable square feet of retail and office properties and more than 4,600 multifamily units, including all of the properties in our portfolio. Many of our other real estate professionals have worked at American Assets, Inc. alongside our senior management team for over ten years. Our senior management team and real estate professionals have in-depth knowledge of our assets, core markets and future growth opportunities, as well as substantial expertise in all aspects of leasing, asset and property management, marketing, acquisitions, redevelopment and facility engineering and financing, all of which we believe will provide us with a significant competitive advantage. In addition, our Executive Chairman has significant experience in the public markets having served as a director for five public companies, including two companies that he took public. Upon the completion of this offering and our formation transactions, our senior management team will own approximately % of our company on a fully diluted basis (assuming the exchange of all common units for shares of our common stock), which we believe will align their interests with those of our stockholders.

- ***Properties Located in High-Barrier-to-Entry Markets with Strong Real Estate Fundamentals.*** Our core markets currently include San Diego, the San Francisco Bay Area and Oahu, Hawaii, which we believe have attractive long-term real estate fundamentals driven by favorable supply and demand characteristics. According to RCG, our core markets have high barriers to entry resulting from the limited supply of developable land, high construction costs and rigorous zoning and entitlement processes, which will limit new real estate construction. For example, the California Coastal Commission, which regulates land use in the California coastal zone, has jurisdiction over several of the submarkets in which our assets are located and maintains a rigorous entitlement process that applies to our assets in these submarkets, in addition to the entitlement requirements of overlapping municipal and county jurisdictions. Accordingly, we believe that our portfolio of properties cannot be replicated. Additionally, we believe our markets have strong economic and demographic fundamentals, which will support continued demand for real estate. In particular, according to RCG, California has a large, diverse economy with concentrations of innovative, dynamic industries such as high technology, biotechnology and healthcare services that will drive economic growth over the long term. Furthermore, RCG estimates that California's population will grow at an average annual rate of 1.1%, increasing the state's total population to 59.5 million by 2030, which will support sustained, long-term economic growth. We believe that continued demand generated by long-term economic growth, coupled with the high barriers to entry in our markets that we believe limit supply, will increase rental rates at our properties and enable us to achieve internal cash flow growth over time through the lease-up of vacant space and the rollover of existing leases, particularly those of our anchor retail tenants, to higher rents.

- ***Extensive Market Knowledge and Long-Standing Relationships Facilitate Access to a Pipeline of Acquisition and Leasing Opportunities.*** We believe that our in-depth market knowledge and extensive network of long-standing relationships with real estate owners, developers, brokers, national and regional lenders and other market participants will provide us access to an ongoing pipeline of attractive acquisition and investment opportunities in and near our core markets. In addition, we have an extensive network of relationships with numerous national and regional tenants in our markets, many of whom currently are tenants in our retail and office buildings, which we expect will enhance our ability to retain and attract high quality tenants, facilitate our leasing efforts and provide us with opportunities to increase occupancy rates at our properties, thereby allowing us to maximize cash flows from our properties. We have successfully converted many of our strong relationships with our retail tenants into leasing opportunities at our properties. For example, California Pizza Kitchen recently opened its third location in our portfolio at Alamo Quarry; and we have similarly developed multi-tenant locations with a number of other tenants, including Gap, Banana Republic, Victoria's Secret, P.F. Chang's China Bistro, Pottery Barn and Chicos.

- ***Internal Growth Prospects through Development, Redevelopment and Repositioning.*** We believe that the development and redevelopment potential at several of our properties presents compelling growth prospects. We currently have entitlements to support approximately 140,000 additional square feet of office and retail space at our properties. In addition, we expect to obtain entitlements and approvals for a further 79,000 square feet of office space. We have exercised our option to purchase an approximately 80,000 square foot building located on our Carmel Mountain Plaza property, which was vacated by Mervyn's in conjunction with its bankruptcy. We will use a portion of the proceeds from this offering to fund the purchase of this building, which we intend to reposition and re-lease. Our senior management team successfully completed significant repositioning and redevelopment projects at many of our properties, including Del Monte Center, Solana Beach Towne Centre and Waikele Center. In addition, our senior management team has significant experience with the development and redevelopment of retail and office properties in our core markets, which we believe enhance our ability to capitalize on these internal growth opportunities. For example, we developed three of our retail properties, Carmel Country Plaza,

Rancho Carmel Plaza and South Bay Marketplace, totaling approximately 263,000 square feet and three of our office properties, Torrey Reserve Campus, Valencia Corporate Center and a portion of Solana Beach Corporate Centre, totaling approximately 863,000 square feet. We believe our in-house development and redevelopment expertise provides us a significant advantage over those of our competitors who rely exclusively on third parties to develop and maintain their properties.

- ***Broad Real Estate Expertise with Retail and Office Focus.*** Our senior management team has strong experience and capabilities across the real estate sector with significant experience and expertise in the retail and office asset classes, which we believe provides for flexibility in pursuing attractive acquisition, development, and repositioning opportunities. Since varying market conditions create opportunities at different times across property types, we believe our expertise enables us to target relatively more attractive investment opportunities throughout economic cycles. In addition, our fully integrated platform with in-house development capabilities allows us to pursue development and redevelopment projects with multiple uses. We believe that our ability to pursue these types of opportunities differentiates us from many competitors in our core markets.

Business and Growth Strategies

Our primary business objectives are to increase operating cash flows, generate long-term growth and maximize stockholder value. Specifically, we intend to pursue the following strategies to achieve these objectives:

- ***Capitalizing on Acquisition Opportunities in High-Barrier-to-Entry Markets.*** We intend to pursue growth through the strategic acquisition of high quality properties that are well-located in their submarkets. Our overall acquisition strategy focuses on acquiring properties in markets that generally are characterized by strong supply and demand characteristics, including high barriers to entry and diverse industry bases, that appeal to institutional investors. We target attractively priced properties that complement our existing portfolio from a risk management and diversification perspective. For retail properties, we intend to focus on acquiring and operating properties that are well positioned in their respective markets and are a primary shopping destination for local residents. For office properties, we intend to focus on acquiring and operating properties in the most prominent submarkets and that offer high quality amenities and superior access to transportation. We believe that properties located in the most prominent retail or business district of a high-barrier-to-entry market will experience greater value appreciation, greater rental rate increases and more stable occupancy rates than similar properties in less-prominent locations of high-barrier-to-entry markets or than properties generally in lower-barrier-to-entry markets.

- ***Repositioning/Redevelopment and Development of Office and Retail Properties.*** We intend to selectively reposition and redevelop several of our existing or newly-acquired properties, and we will also selectively pursue ground-up development of undeveloped land where we believe we can generate attractive risk-adjusted returns. As of June 30, 2010, we have approved entitlements for approximately 140,000 additional square feet of development at our properties and expect to obtain entitlements and approvals for approximately 79,000 additional square feet of development. By repositioning and redeveloping these properties and pursuing ground-up development of undeveloped land, we seek to increase occupancy and rental rates, thereby producing favorable risk-adjusted returns on our invested capital. Our senior management team has redeveloped or developed over 5.4 million of square feet of commercial and residential properties over their careers at American Assets, Inc., and we intend to leverage this expertise to pursue our strategy. Examples of our senior management team's recent repositioning, redevelopment and development experience include the following:

    - *Del Monte Center*: Since acquiring the approximately 628,000 square foot Del Monte Center in Monterey, California in 2004, we have improved the tenant roster by executing a $25 million

redevelopment plan, adding approximately 46,000 square feet, and re-leasing many of the stores to well-known, national retailers, including the Apple Store, Banana Republic, Lucky Brand Jeans, Pottery Barn and Williams-Sonoma. We also attracted several restaurant tenants, including California Pizza Kitchen, Islands Bar and Grill and P.F. Chang's China Bistro. Given the limited alternative locations for such tenants in this market, we believe that our combination of well-known retail and restaurant tenants will attract additional customers, thereby increasing sales and enhancing the value of the property. Following our redevelopment and re-leasing efforts, tenants at Del Monte Center (exclusive of anchor tenants) improved their sales per square foot at Del Monte Center from $373 in 2003 to $539 in 2009.

- *Torrey Reserve Campus*: We acquired the Torrey Reserve Campus site in 1989 subject to a development agreement with the City of San Diego. After a lengthy entitlement and environmental review process due to the property's location in a coastal zone adjacent to a sensitive wildlife habitat, we received the necessary development approvals in 1993. After obtaining such development approvals, we initiated construction in 1996 and achieved fully stabilized occupancy in 2000, of Torrey Reserve Campus, which is comprised of seven multi-tenant office buildings and two single-tenant buildings on 11 acres offering an aggregate of approximately 457,000 net rentable square feet of office space.

- *Solana Beach Corporate Centre*: In 2005, we completed ground-up development at Solana Beach Corporate Centre of two office buildings totaling approximately 120,000 square feet, and an approximately 87,800 square foot subterranean parking lot, along with the renovation of two existing office buildings at this property. The jurisdiction in which this property is located has highly restrictive entitlement requirements, with an entitlement process that features four separate entitlement agencies: the City of Solana Beach; the California Department of Fish and Game; the Army Corp of Engineers; and the California Coastal Commission. Obtaining the necessary entitlements was an approximately five-year process that cost approximately $2.5 million.

- *Lomas Santa Fe Plaza/Solana Beach Towne Centre*: We redeveloped the Lomas Santa Fe Plaza in 1997 and Solana Beach Towne Centre in 2000 and 2004 in order to provide improved aesthetics and landscaping, increased parking, improved ingress/egress and increased square footage, all of which required the demolition and new construction of a portion of both centers and the re-alignment of a public street. As a result of this redevelopment, we increased the size of the Vons grocery store at Lomas Santa Fe Plaza from approximately 25,000 square feet to approximately 50,000 square feet, while Solana Beach Towne Centre benefited from the removal of an outdated and redundant 25,000 square foot Vons building, which resulted in enhanced pedestrian plazas and walkways, additional surface parking and the addition of several new tenants, including Henry's Marketplace, Starbucks, Jamba Juice, Togo's and Panda Express. Since the completion of the redevelopment, sales at both centers have increased. Moreover, despite a decrease of approximately 3,200 rentable square feet at Solana Beach Towne Centre resulting from the redevelopment, we estimate that annualized base rent as of June 30, 2010 was approximately $695,000 greater than what annualized base rent would have been if the redundant Vons grocery store had remained.

- ***Disciplined Capital Recycling Strategy.*** We intend to pursue an efficient asset allocation strategy that maximizes the value of our investments by selectively disposing of properties whose returns appear to have been maximized and redeploying capital into acquisition, repositioning, redevelopment and development opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT. We have an extensive track record of completing many significant commercial real estate acquisitions and dispositions and remain thorough in our underwriting, carefully analyzing potential acquisitions to determine which best fit

our investment criteria and which will generate attractive risk-adjusted returns. Our underwriting process leverages our extensive knowledge of our local markets and includes comprehensive research of submarkets and competing properties, in-depth asset-level and tenant evaluations and extensive quantitative and qualitative analysis of each potential acquisition's risk and return characteristics. An integral part of our disciplined approach to acquisitions involves focusing primarily on long-term growth potential rather than short-term cash returns, in order to maximize our long-term return on invested capital. We spend significant time researching new markets prior to making a decision whether to expand into such markets. We believe our extensive network of long-standing relationships with real estate owners, developers, brokers, national and regional lenders, tenants and other market participants will allow us to capitalize on attractive acquisition opportunities as they arise in our markets, which opportunities may not be available to our competitors. Furthermore, we believe that our established operating platform and strong reputation within our markets make us a desirable buyer for those institutions and individuals seeking to sell properties.

- ***Proactive Asset and Property Management.*** We intend to continue to actively manage our properties, employ targeted leasing strategies, leverage our existing tenant relationships and focus on reducing operating expenses to increase occupancy rates at our properties, attract high quality tenants and increase property cash flows, thereby enhancing the value of our properties. We have a centralized senior management team in our San Diego headquarters, in addition to on-site professionals handling day-to-day property management, including anticipating and satisfying our tenants' needs and delivering customized space solutions to potential tenants. In addition, we utilize our extensive tenant relationships and leasing strategies to optimize our tenant mix to meet the needs of the local market and to maintain high occupancies across our portfolio. Examples of our proactive property management and leasing capabilities include our recent negotiation of the following two major office leases at The Landmark at One Market:

    - When Del Monte Foods announced in November 2009 that it would vacate its approximately 101,000 square feet of office space at The Landmark at One Market when its lease expires in December 2010 due to the lack of additional rentable space at The Landmark at One Market, we structured a lease transaction with another existing tenant, salesforce.com, to both (i) renew salesforce.com's current lease for approximately 126,000 square feet and (ii) expand into the approximately 101,000 square feet of space vacated by Del Monte Foods.

    - We renewed a lease for approximately 46,000 square feet of office space with Autodesk, Inc. and further expanded Autodesk into an additional 69,000 square feet of office space that would have become vacant in the next two years.

Through this proactive process, we entered into new leases for approximately 341,000 square feet, or 80.8%, of The Landmark at One Market with credit-worthy tenants, which expire on a staggered basis in five separate years between 2015 and 2021.

Our Portfolio

Upon completion of this offering and consummation of the formation transactions, we will own 20 properties located in the San Diego, San Francisco, Los Angeles, Honolulu and San Antonio markets, containing a total of approximately 3.0 million rentable square feet of retail space, 1.5 million rentable square feet of office space, a mixed-use property comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite Embassy Suites™ hotel, and 922 multifamily units (including 122 RV spaces), which we refer to as our portfolio. The following tables present an overview of our portfolio, based on information as of June 30, 2010. For the meanings of certain terms used in the tables and other important information, please see the discussion immediately following the tables and the footnotes contained within the table.

Retail and Office Portfolios

Property	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Retail Properties								
Carmel Country Plaza	San Diego, CA	1991	9	77,813	100.0%	$ 3,398,160	$ 43.67	$ 42.50
Carmel Mountain Plaza[1]	San Diego, CA	1994	13	440,228	97.2	8,648,658	20.21	20.48
South Bay Marketplace[1]	San Diego, CA	1997	9	132,873	100.0	2,031,718	15.29	15.18
Rancho Carmel Plaza	San Diego, CA	1993	3	30,421	69.3	673,911	31.98	34.97
Lomas Santa Fe Plaza	Solana Beach, CA	1972/1997	9	209,569	93.7	5,028,573	25.60	24.85
Solana Beach Towne Centre	Solana Beach, CA	1973/2000/2004	12	246,730	98.2	5,335,039	22.01	21.72
Del Monte Center[1]	Monterey, CA	1967/1984/2006	16	674,224	97.4	8,956,064	13.63	12.58
The Shops at Kalakaua	Honolulu, HI	1971/2006	3	11,671	100.0	1,535,028	131.52	136.07
Waikele Center	Waipahu, HI	1993/2008	9	537,965	94.3	16,391,804	32.30	32.36
Alamo Quarry[1]	San Antonio, TX	1997/1999	16	589,479	94.9	11,500,141	20.56	20.86
Subtotal/Weighted Average Retail Portfolio			99	2,950,973	96.0%	$ 63,499,095	$ 22.41	$ 22.28
Office Properties								
Torrey Reserve Campus	San Diego, CA	1996-2000	9	456,801	93.0%	$ 14,627,721	$ 34.44	$ 34.91
Solana Beach Corporate Centre	Solana Beach, CA	1982/2005	4	211,796	88.6	6,665,555	35.51	33.86
Valencia Corporate Center	Santa Clarita, CA	1999-2007	3	194,304	76.9	4,238,162	28.37	29.38
160 King Street[2]	San Francisco, CA	2002	1	167,985	88.1	5,442,609	36.77	37.54
The Landmark at One Market[3]	San Francisco, CA	1917/2000	1	421,934	100.0	21,504,396	50.97	48.74
Subtotal/Weighted Average Office Portfolio			18	1,452,820	91.7%	$ 52,478,443	$ 39.41	$ 38.34
Total/Weighted Average Retail and Office Portfolio			**117**	**4,403,793**	**94.6%**	**$115,977,538**	**$ 27.84**	**$ 27.58**

Mixed-Use Portfolio

Retail Portion	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Waikiki Beach Walk—Retail[4]	Honolulu, HI	2006	1	96,569	96.5%	$9,400,219	$ 100.84	$ 99.75

Hotel Portion	Location	Year Built/ Renovated	Number of Buildings	Units	Average Occupancy	Average Daily Rate	Revenue per Available Room	Total Revenue
Waikiki Beach Walk—Embassy Suites™[5]	Honolulu, HI	2008	2	369	83.6%	$ 221.97	$ 185.46	$25,529,494

Multifamily Portfolio

Property	Location	Year Built/ Renovated	Number of Buildings	Units	Percentage Leased	Annualized Base Rent	Average Monthly Base Rent per Leased Unit
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	93.4%	$ 9,573,349	$1,561
Imperial Beach Gardens	Imperial Beach, CA	1959/2008-present	26	160	99.4	2,584,020	1,358
Mariner's Point	Imperial Beach, CA	1986	8	88	97.7	1,140,795	1,101
Santa Fe Park RV Resort[6]	San Diego, CA	1971/2007-2008	1	126	81.0	975,528	653
Total/Weighted Average Multifamily Portfolio			**115**	**922**	**93.2%**	**$14,273,692**	**$1,358**

(1) Net rentable square feet at certain of our retail properties includes square footage leased pursuant to ground leases, as described in "Business and Properties—Our Portfolio—Retail Portfolio" and in the following table:

Property	Number of Ground Leases	Square Footage Leased Pursuant to Ground Leases	Aggregate Annualized Base Rent
Carmel Mountain Plaza	4	119,000	$ 821,075
South Bay Marketplace	1	2,824	$ 81,540
Del Monte Center	2	295,100	$ 201,291
Alamo Quarry	4	32,000	$ 428,250

(2) We have executed one lease at 160 King Street for 7,385 net rentable square feet and annualized base rent of $310,184, which commenced subsequent to June 30, 2010. Assuming inclusion of this lease, percentage leased would be 92.5%.

(3) This property contains 421,934 net rentable square feet consisting of The Landmark at One Market (377,714 net rentable square feet) as well as a separate long-term leasehold interest in approximately 44,220 net rentable square feet of space located in an adjacent six-story leasehold known as the Annex. We currently lease the Annex from Paramount Group pursuant to a long-term master lease effective through June 30, 2016, which we have the option to extend until 2026 pursuant to two five-year extension options.

(4) Waikiki Beach Walk—Retail contains 96,569 net rentable square feet consisting of 93,955 net rentable square feet that we own in fee and approximately 2,614 net rentable square feet of space in which we have a subleasehold interest pursuant to a sublease from First Hawaiian Bank effective through December 31, 2021.

(5) Total revenue is total revenue for Waikiki Beach Walk—Embassy Suites™ for the 12-month period ended June 30, 2010.

(6) The Santa Fe Park RV Resort is subject to seasonal variation, with higher rates of occupancy occurring during the summer months. During the 12 months ended June 30, 2010, the highest average monthly occupancy rate for this property was 100%, occurring in July 2009, and the lowest average monthly occupancy rate for this property was 68.0%, occurring in April 2010. For the 12-month period ended June 30, 2010, the total base rent for this property was $848,913. The number of units at the Santa Fe Park RV Resort includes 122 RV spaces and four apartments.

In the tables above:

- The net rentable square feet for each of our retail properties and the retail portion of our mixed-use property is the sum of (1) the square footages of existing leases, plus (2) for available space, the field verified square footage. The net rentable square feet for each of our office properties is the sum of (1) the square footages of existing leases, plus (2) for available space, management's estimate of net rentable square feet based, in part, on past leases. The net rentable square feet included in such office leases is generally determined consistently with the Building Owners and Managers Association, or BOMA, 1996 measurement guidelines.

- Percentage leased for each of our retail and office properties is calculated as (1) square footage under commenced leases as of June 30, 2010, divided by (2) net rentable square feet, expressed as a percentage, while percentage leased for our multifamily properties is calculated as (1) total units rented as of June 30, 2010, divided by (2) total units available, expressed as a percentage.

- Annualized base rent is calculated by multiplying (1) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010, by (2) 12. Annualized base rent per leased square foot is calculated by dividing (1) annualized base rent, by (2) square footage under commenced leases as of June 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Total abatements for leases in effect as of June 30, 2010 for (1) our retail and office portfolio and (2) our mixed-use portfolio will equal approximately $237,000 and zero, respectively, for the 12 months ending June 30, 2011. Total abatements for leases in effect as of June 30, 2010 for our multifamily portfolio equaled approximately $897,636 for the 12 months ended June 30, 2010.

- Average net effective annual base rent per leased square foot represents (1) the contractual base rent for leases in place as of June 30, 2010, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (2) square footage under commenced leases as of June 30, 2010.

- Units represent the total number of units available for sale/rent at June 30, 2010.

- Average occupancy represents the percentage of available units that were sold during the 12-month period ended June 30, 2010, and is calculated by dividing (1) the number of units sold by (2) the product of the total number of units and the total number of days in the period. Average daily rate represents the average rate paid for the units sold, and is calculated by dividing (1) the total room revenue (i.e., excluding food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services) for the 12-month period ended June 30, 2010, by (2) the number of units sold. Revenue per available room, or RevPAR, represents the total unit revenue per total available units for the 12-month period ended June 30, 2010 and is calculated by multiplying average occupancy by the average daily rate. RevPAR does not include food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services.

- Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended June 30, 2010.

Lease Expirations

The following table sets forth a summary schedule of the lease expirations for leases in place as of June 30, 2010 plus available space, for each of the ten full calendar years beginning January 1, 2010 at the properties in our retail portfolio, office portfolio and the retail portion of mixed-use portfolio. The lease expirations for the multifamily portfolio and the hotel portion of the mixed-use property are excluded from this table because multifamily unit leases generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms, and because rooms in the hotel are rented on a nightly basis. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Portfolio Net Rentable Square Feet	Annualized Base Rent[2]	Percentage of Retail Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	241,774	5.4%	—	—	—
2010	51	242,082	5.4	9,693,708	7.7%	$ 40.04
2011	85	234,731	5.2	8,590,399	6.9	36.60
2012	103	707,370	15.7	22,878,542	18.2	32.34
2013	103	671,202	14.9	19,527,274	15.6	29.09
2014	68	498,964	11.1	13,539,326	10.8	27.13
2015	57	326,478	7.3	11,462,619	9.1	35.11
2016	30	121,493	2.7	5,184,155	4.1	42.67
2017	20	180,987	4.0	5,401,797	4.3	29.85
2018	18	760,637	16.9	12,673,777	10.1	16.66
2019	15	159,746	3.5	5,548,768	4.4	34.73
Thereafter	16	354,898	7.9	10,877,393	8.7	30.65
Total:	566	4,500,362	100.0%	125,377,757	100.0%	$ 29.44

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.

(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.

(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Retail Portfolio

Our retail portfolio contains ten retail properties comprising an aggregate of approximately 3.0 million rentable square feet. As of June 30, 2010, our retail properties were approximately 96.0% leased to approximately 339 tenants (or 96.3% leased, giving effect to leases signed but not commenced as of that date). All of our retail properties are located in prime California, Hawaii and Texas submarkets. As of June 30, 2010, the weighted average remaining lease term for our retail portfolio was 58.1 months.

Tenant Diversification of Retail Portfolio

As of June 30, 2010, our retail portfolio was leased to 339 tenants in a variety of industries with no single tenant representing more than 6.3% of total annualized base rent for the retail portfolio. The following table sets forth information regarding the ten largest tenants in our retail portfolio based on annualized base rent as of June 30, 2010:

Tenant	Number of Leases	Number of Properties	Property(ies)	Lease Expiration	Total Leased Square Feet	Percentage of Retail Portfolio Net Rentable Square Feet	Annualized Base Rent[1]	Percentage of Retail Portfolio Annualized Base Rent
Lowe's	1	1	Waikele Center	5/31/18	155,000	5.3%	$3,992,647	6.3%
Kmart	1	1	Waikele Center	6/30/18	119,590	4.1	3,468,110	5.5
Foodland Super Market[2]	1	1	Waikele Center	1/25/14	50,000	1.7	2,247,578	3.5
Sports Authority	2	2	Carmel Mountain Plaza, Waikele Center	11/30/13 7/8/13	90,722	3.1	2,076,602	3.3
Ross Dress for Less	3	3	South Bay Marketplace, Lomas Santa Fe Plaza, Carmel Mountain Plaza	1/31/13 1/31/14	81,125	2.7	1,595,826	2.5
Borders	3	3	Alamo Quarry, Del Monte Center, Waikele Center	11/30/12 1/31/11 1/31/14	59,615	2.0	1,324,500	2.1
Officemax	2	2	Alamo Quarry, Waikele Center	11/30/12 1/31/14	47,962	1.6	1,164,761	1.8
Old Navy	3	3	Alamo Quarry, South Bay Marketplace, Waikele Center	9/30/12 5/31/11 7/31/12	59,780	2.0	*	*
Vons	1	1	Lomas Santa Fe Plaza	12/31/17	49,895	1.7	1,058,000	1.7
Marshalls	2	2	Carmel Mountain Plaza, Solana Beach Towne Centre	1/31/19 1/13/15	68,055	2.3	1,044,887	1.6
Top 10 Tenants Total	**19**				**781,744**	**26.5%**		

* Data withheld at tenant's request.

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the applicable lease(s), by (ii) 12.

(2) Foodland Super Market, Ltd. has ceased all operations in its leased premises and has subleased the premises to International Church of the Foursquare Gospel. Although we are currently collecting the rent for the leased premises, Foodland Super Market, Ltd.'s lease expires in 2014 and it is unlikely that it will renew its lease with us. We expect to collect the full amount remaining under the lease in accordance with its terms; however, there can be no assurances that we will do so.

Lease Distribution of Retail Portfolio

The following table sets forth information relating to the distribution of leases in our retail portfolio, based on net rentable square feet under lease as of June 30, 2010:

Square Feet Under Lease	Number of Leases	Percentage of All Leases	Total Leased Square Feet	Percentage of Retail Portfolio Leased Square Feet	Annualized Base Rent[1]	Percentage of Retail Portfolio Annualized Base Rent
2,500 or less	214	53.8%	299,658	10.6%	$11,996,967	18.9%
2,501-10,000	133	33.4	624,381	22.0	19,850,987	31.3
10,001-20,000	15	3.8	209,099	7.4	4,233,411	6.7
20,001-40,000	23	5.8	634,600	22.4	11,168,074	17.6
40,001-100,000	9	2.3	470,918	16.6	8,240,359	13.0
Greater than 100,000	4	1.0	594,960	21.0	8,009,297	12.6
Retail Portfolio Total:	**398**	**100.0%**	**2,833,616**	**100.0%**	**$63,499,095**	**100.0%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the applicable leases, by (ii) 12.

Lease Expirations of Retail Portfolio

The following table sets forth a summary schedule of the lease expirations for leases in place as of June 30, 2010 plus available space, for each of the ten full calendar years beginning January 1, 2010 at the properties in our retail portfolio. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Retail Portfolio Net Rentable Square Feet	Annualized Base Rent[2]	Percentage of Retail Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	117,357	4.0%	—	—	—
2010	27	63,485	2.2	$ 1,558,567	2.5%	$ 24.55
2011	61	143,823	4.9	4,613,596	7.3	32.08
2012	72	359,635	12.2	8,754,180	13.8	24.34
2013	72	488,117	16.5	12,695,197	20.0	26.01
2014	55	424,005	14.4	10,835,422	17.1	25.55
2015	44	209,832	7.1	5,407,974	8.5	25.77
2016	22	81,027	2.7	2,729,256	4.3	33.68
2017	14	101,076	3.4	2,460,508	3.9	24.34
2018	14	723,254	24.5	10,576,141	16.7	14.62
2019	8	59,448	2.0	1,682,583	2.6	28.30
Thereafter	9	179,914	6.1	2,185,669	3.4	12.15
Retail Portfolio Total:	**398**	**2,950,973**	**100.0%**	**$63,499,095**	**100.0%**	**$ 22.41**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Ground Leases of Retail Portfolio

The following table sets forth certain information relating to the ground leases in place at the properties in our retail portfolio as of June 30, 2010. We are the lessor under each of these ground leases. As a result, except as noted in the footnotes below, upon termination of each of these ground leases, whether due to expiration or default by the tenant, we have the right to take possession of all improvements to the land.

Property	Tenant	Ground Leased Square Feet	Initial Expiration	Extension Options	Annualized Base Rent[1]
Carmel Mountain Plaza	Sears	107,900	6/30/18	6 x 5 yrs	$ 452,540
Carmel Mountain Plaza	California Pizza Kitchen	5,500	6/30/14	1 x 5 yrs	119,790
Carmel Mountain Plaza	In-N-Out Burger	2,900	8/31/13	2 x 5 yrs	119,471
Carmel Mountain Plaza	EZ Lube	2,700	5/31/14	2 x 5 yrs	129,274
Subtotal Carmel Mountain Plaza		**119,000**			**$ 821,075**
South Bay Marketplace	McDonald's	2,824	7/1/17	4 x 5 yrs	$ 81,540
Subtotal South Bay Marketplace		**2,824**			**$ 81,540**
Del Monte Center	Macy's[2]	212,500	7/31/18	5 x 10 yrs	$ 96,000[3]
Del Monte Center	KLA Monterey Leasehold, LLC (previously Mervyn's)	82,600	7/31/20	3 x 10 yrs	105,291[4]
Subtotal Del Monte Center		**295,100**			**$ 201,291**
Alamo Quarry	Chili's Grill & Bar	6,000	8/31/12	4 x 5 yrs	$ 90,000
Alamo Quarry	Joe's Crab Shack	11,300	10/30/17	2 x 5 yrs	107,250
Alamo Quarry	J. Alexander's Restaurant, Inc.	7,700	8/31/17	2 x 5 yrs	121,000
Alamo Quarry	P.F. Chang's China Bistro	7,000	9/30/13	3 x 5 yrs	110,000
Subtotal Alamo Quarry		**32,000**			**$ 428,250**
Total		**448,924**			**$ 1,532,156**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12. Except as described in the footnotes below, base rent is subject to either (i) fixed increases or (ii) increases based on the Consumer Price Index.
(2) Macy's has a continuing right to encumber the land and, in the event Macy's exercises such right, our interest in the land, including our rights to take possession of all improvements to the land upon termination or a default by Macy's, will be subordinate to that of any first-lien lender.
(3) Base rent is fixed at $8,000 per month.
(4) Base rent is fixed at $8,774 per month.

Historical Retail Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs per square foot for tenants at the properties in our retail portfolio for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010:

	Year Ended December 31,			Six Months Ended June 30, 2010	Weighted Average January 1, 2007 to June 30, 2010
	2007	2008	2009		
Expirations					
Number of leases expired during applicable period	87	84	73	28	74
Aggregate net rentable square footage of expiring leases	256,322	719,316	328,483	149,596	393,977
Renewals					
Number of leases/renewals	43	24	21	17	28
Square feet	130,565	83,639	76,304	85,752	95,253
Tenant improvement costs[1]	$ 421,316	$ 410,084	$ 115,132	$ 120,560	$ 281,450
Leasing commission costs[1]	446,512	202,916	121,550	66,485	213,000
Total tenant improvement and leasing commission costs[1]	$ 867,828	$ 613,000	$ 236,682	$ 187,045	$ 494,450
Tenant improvement costs per square foot[1]	$ 3.23	$ 4.90	$ 1.51	$ 1.41	$ 2.95
Leasing commission costs per square foot[1]	3.42	2.43	1.59	0.78	2.24
Total tenant improvement and leasing commission costs per square foot[1]	$ 6.65	$ 7.33	$ 3.10	$ 2.18	$ 5.19
New Leases					
Number of leases	33	22	19	10	23
Square feet	119,563	189,023	125,620	71,589	134,286
Tenant improvement costs[1]	$ 7,293,862	$ 12,206,218	$ 792,593	$ 1,332,101	$ 5,417,203
Leasing commission costs[1]	808,477	1,223,931	570,064	359,874	778,415
Total tenant improvement and leasing commission costs[1]	$ 8,102,339	$ 13,430,149	$ 1,362,656	$ 1,691,975	$ 6,195,617
Tenant improvement costs per square foot[1]	$ 61.00	$ 64.58	$ 6.31	$ 18.61	$ 40.34
Leasing commission costs per square foot[1]	6.76	6.48	4.54	5.03	5.80
Total tenant improvement and leasing commission costs per square foot[1]	$ 67.76	$ 71.06	$ 10.85	$ 23.64	$ 46.14
Total					
Number of leases	76	46	40	27	50
Square feet	250,128	272,662	201,924	157,341	229,538
Tenant improvement costs[1]	$ 7,715,178	$ 12,616,303	$ 907,725	$ 1,452,662	$ 5,655,002
Leasing commission costs[1]	1,254,989	1,426,847	691,614	426,359	985,731
Total tenant improvement and leasing commission costs[1]	$ 8,970,166	$ 14,043,149	$ 1,599,338	$ 1,879,021	$ 6,640,733
Tenant improvement costs per square foot[1]	$ 30.84	$ 46.27	$ 4.50	$ 9.23	$ 24.64
Leasing commission costs per square foot[1]	5.02	5.23	3.43	2.71	4.29
Total tenant improvement and leasing commission costs per square foot[1]	$ 35.86	$ 51.50	$ 7.93	$ 11.94	$ 28.93

(1) Assumes all tenant improvement and leasing commissions are paid in the calendar year in which the lease commences, which may be different than the year in which they were actually paid.

Description of Our Retail Properties

Waikele Center is our only retail property that accounted for more than 10% of our total assets, based on book value, or more than 10% of our gross revenues as of, and for the year ended, December 31, 2009. Our nine other retail properties described below each accounted for less than 10% of our total assets, based on book value, and less than 10% of our gross revenues as of, and for the year ended December 31, 2009.

Southern California

Carmel Country Plaza

Carmel Country Plaza is a neighborhood retail center with a total of approximately 78,000 rentable square feet. The property is located on Del Mar Heights Road approximately one mile east of Interstate 5 in the northern part of San Diego County. It caters to the upscale suburban communities of Carmel Valley and Del Mar. We acquired the parcel in 1989 and constructed the buildings in 1991. The retail center consists of nine buildings and 329 parking spaces on a 5.5 acre lot. As of June 30, 2010, the property was 100% occupied, with major tenants including HEI Corporation d/b/a Oggi's Pizza and Brewing Company, The Coffee Bean & Tea Leaf, La Salsa and Frazee Industries, Inc.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Carmel Country Plaza.

Carmel Country Plaza Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	20,457	66,401	116,692	37,853,430	309,038,974
2015 Projection	22,485	72,913	126,977	40,136,564	321,675,005
Estimated Growth 2010-2015	9.9%	9.8%	8.8%	6.0%	4.1%
Households					
2010 Estimate	8,363	25,939	43,356	12,653,856	116,136,617
2015 Projection	9,238	28,514	47,149	13,342,972	120,947,177
Estimated Growth 2010-2015	10.5%	9.9%	8.7%	5.4%	4.1%
2010 Estimated Average Household Income	$131,604	$170,891	$161,687	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 98,946	$126,339	$121,411	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Carmel Country Plaza Primary Tenants

The following table summarizes information regarding the primary tenants of Carmel Country Plaza as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Sharp Healthcare	Healthcare Services	3/31/18	—	6,987	9.0%	$ 333,563	$ 47.74	9.8%
Frazee Industries, Inc.	Paints	9/30/11	—	5,053	6.5	252,048	49.88	7.4
Blockbuster, Inc.	Entertainment	10/31/14	—	5,000	6.4	240,000	48.00	7.1
Katana Sushi	Restaurant	12/31/19	2 x 5 yrs	4,500	5.8	162,000	36.00	4.8
Oggi's Pizza & Brewing Company	Restaurant	8/15/11	—	3,151	4.0	129,371	41.06	3.8
Top 5 Total				**24,691**	**31.7%**	**$ 1,116,982**	**$ 45.24**	**32.9%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Carmel Country Plaza Lease Expirations

The following table sets forth the lease expirations for leases in place at the Carmel Country Plaza as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	—	—	—	—	—
2010	3	3,443	4.4%	$ 81,397	2.4%	$ 23.64
2011	11	21,618	27.8	970,084	28.5	44.87
2012	5	8,646	11.1	407,335	12.0	47.11
2013	4	7,535	9.7	349,872	10.3	46.43
2014	7	15,398	19.8	636,538	18.7	41.34
2015	4	5,008	6.4	217,785	6.4	43.49
2016	1	1,678	2.2	86,585	2.5	51.60
2017	—	—	—	—	—	—
2018	2	9,987	12.8	486,563	14.3	48.72
2019	1	4,500	5.8	162,001	4.8	36.00
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**38**	**77,813**	**100.0%**	**$3,398,160**	**100.0%**	**$ 43.67**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Carmel Country Plaza Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Carmel Country Plaza as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	100.0%	$ 43.67	$ 42.50
December 31, 2009	97.7	43.15	43.86
December 31, 2008	95.1	44.35	42.89
December 31, 2007	92.7	41.37	42.95
December 31, 2006	95.7	39.53	38.42
December 31, 2005	97.8	35.83	34.94

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for Carmel Country Plaza is $10.1043 per $1,000 of assessed value. The total annual tax for Carmel Country Plaza at this rate for the tax year ended June 30, 2010 was $180,685 (at a taxable assessed value of $16.8 million). In addition, there was $11,292 in various direct assessments imposed on Carmel County Plaza by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Carmel Mountain Plaza

Carmel Mountain Plaza is an approximately 440,000 square foot regional shopping center consisting of 13 buildings and 2,379 parking spaces spread over 39.7 acres. The property is situated on Carmel Mountain Road immediately east of Interstate 15, a major north-south corridor in San Diego County, and caters to the upscale, inland communities of Rancho Bernardo, Poway and Carmel Mountain Ranch. We acquired the property in 2003 and, as of June 30, 2010, the property was approximately 97.2% occupied, with major tenants including Sears, Roebuck and Co. d/b/a Sears, Sports Authority, Reading International, Inc. d/b/a Reading Cinemas, Sprouts Farmers Markets, LLC and Marshalls of CA, LLC d/b/a Marshalls. Additionally, we have exercised our option to purchase the approximately 80,000 rentable square foot building located on the property vacated by Mervyn's in conjunction with its bankruptcy, which will require a cash payment of approximately $13.2 million. We believe that the repositioning of this building will provide a significant opportunity to increase cash flow and increase customer traffic at the property. Currently, we are actively negotiating with prospective tenants to lease this space, however there can be no assurance as to when or if a lease for this space will be signed.

In addition to the 440,000 rentable square feet discussed above, Mervyn's, Chevy's Fresh Mex, Boston West, LLC d/b/a Boston Market and Texaco Refining & Marketing, Inc., d/b/a Shell Oil/Gas Station own and occupy an aggregate of 92,190 square feet of space in Carmel Mountain Plaza and pay their respective proportionate share, based on square footage, of the common area expenses for the property plus an administration fee on such amount.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Carmel Mountain Plaza, however, we continue to consider additional opportunities.

Carmel Mountain Plaza Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	14,079	99,329	222,285	37,853,430	309,038,974
2015 Projection	14,684	105,759	238,991	40,136,564	321,675,005
Estimated Growth 2010-2015	4.3%	6.5%	7.5%	6.0%	4.1%
Households					
2010 Estimate	5,249	36,050	77,779	12,653,856	116,136,617
2015 Projection	5,519	38,338	83,451	13,342,972	120,947,177
Estimated Growth 2010-2015	5.1%	6.3%	7.3%	5.4%	4.1%
2010 Estimated Average Household Income	$116,323	$110,040	$122,978	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 97,815	$ 90,125	$100,372	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Carmel Mountain Plaza Primary Tenants

The following table summarizes information regarding the primary tenants of Carmel Mountain Plaza as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Sears	Dept. Store	6/30/18	6 x 5 yrs	107,870	24.5%	$ 452,540	$ 4.20	5.2%
Sports Authority	Athletics	11/30/13	2 x 5 yrs	40,672	9.2	575,102	14.14	6.6
Reading Cinemas	Entertainment	7/31/13	2 x 5 yrs	34,561	7.9	853,009	24.68	9.9
Sprouts Farmers Market	Grocery	3/31/25	3 x 5 yrs	30,973	7.0	681,406	22.00	7.9
Marshalls	Dept. Store	1/31/19	1 x 5 yrs	28,760	6.5	491,221	17.08	5.7
Top 5 Total				**242,836**	**55.2%**	**$ 3,053,278**	**$ 12.57**	**35.3%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Carmel Mountain Plaza Lease Expirations

The following table sets forth the lease expirations for leases in place at the Carmel Mountain Plaza as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Square Feet[2]	Annualized Base Rent[3]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[4]
Available	—	12,381	2.8%	—	—	—
2010	2	3,856	0.9	$ 112,721	1.3%	$ 29.23
2011	10	14,430	3.3	646,735	7.5	44.82
2012	9	34,781	7.9	1,197,980	13.9	34.44
2013	13	101,574	23.1	2,485,466	28.7	24.47
2014	8	69,902	15.9	1,478,566	17.1	21.15
2015	7	28,301	6.4	767,097	8.9	27.10
2016	2	5,600	1.3	243,264	2.8	43.44
2017	1	1,800	0.4	91,662	1.1	50.92
2018	1	107,870	24.5	452,540	5.2	4.20
2019	1	28,760	6.5	491,221	5.7	17.08
Thereafter	1	30,973	7.0	681,406	7.9	22.00
Total/Weighted Average:	**55**	**440,228**	**100.0%**	**$8,648,658**	**100.0%**	**$ 20.21**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes an aggregate of 119,000 square feet leased pursuant to four ground leases to Sears, California Pizza Kitchen, Inc., In-N-Out Burger and EZ Lube, Inc. See "—Ground Leases of Retail Portfolio."
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $821,075 pursuant to the four ground leases described above. See "—Ground Leases of Retail Portfolio."
(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Carmel Mountain Plaza Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Carmel Mountain Plaza as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	97.2%	$ 20.21	$ 20.48
December 31, 2009	89.7	20.11	20.86
December 31, 2008	97.2	19.65	19.87
December 31, 2007	100.0	19.22	18.87
December 31, 2006	100.0	17.01	18.40
December 31, 2005	100.0	17.64	17.96

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes an aggregate of 119,000 square feet leased pursuant to ground leases to Sears, California Pizza Kitchen, In-N-Out and EZ Lube. See "—Ground Leases of Retail Portfolio."

(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $821,075 pursuant to the four ground leases described above. See "—Ground Leases of Retail Portfolio."

(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for Carmel Mountain Plaza is $10.368 per $1,000 of assessed value. The total annual tax for Carmel Mountain Plaza at this rate for the tax year ended June 30, 2010 was $1,123,966 (at a taxable assessed value of $105.9 million). In addition, there was $26,449 in various direct assessments imposed on Carmel Mountain Plaza by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

South Bay Marketplace

South Bay Marketplace is an approximately 133,000 square foot neighborhood shopping center with 529 parking spaces on a 12.1 acre lot. The property is located on East Plaza Boulevard midway between Interstate 5 and Interstate 805, serving San Diego's South Bay cities of National City and Chula Vista. The property is also in close proximity to San Diego's U.S. Navy Base and over 8,484 units of housing for military personnel and their families. We developed the property in 1997 after acquiring the land in 1996. We successfully undertook a rigorous and complex entitlement process that involved two permitting jurisdictions in order to complete the development. As of June 30, 2010, the property was 100% occupied, with major tenants including Ross Dress For Less, Inc., Grocery Outlet, Inc., Office Depot, Inc., and Old Navy (California) LLC d/b/a Old Navy.

In addition to the 133,000 rentable square feet discussed above, Dixieline Lumber Company owns and occupies 21,795 square feet of space in South Bay Marketplace and pays its proportionate share, based on square footage, of the common area expenses for the property plus an administration fee on such amount.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of South Bay Marketplace.

South Bay Marketplace Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	24,407	174,422	426,891	37,853,430	309,038,974
2015 Projection	25,817	184,837	448,624	40,136,564	321,675,005
Estimated Growth 2010-2015	5.8%	6.0%	5.1%	6.0%	4.1%
Households					
2010 Estimate	8,386	51,873	122,415	12,653,856	116,136,617
2015 Projection	8,744	54,393	127,711	13,342,972	120,947,177
Estimated Growth 2010-2015	4.3%	4.9%	4.3%	5.4%	4.1%
2010 Estimated Average Household Income	$48,964	$ 57,243	$ 63,791	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$38,901	$ 45,036	$ 49,270	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

South Bay Marketplace Primary Tenants

The following table summarizes information regarding the primary tenants of South Bay Marketplace as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Office Depot Inc.	Office Supplies	4/30/12	3 x5 yrs	30,686	23.1%	$485,462	$ 15.82	23.9%
Ross Dress for Less	Apparel	1/31/13	3 x 5 yrs	27,125	20.4	294,306	10.85	14.5
Grocery Outlet Inc.	Grocery	10/19/14	1 x 5 yrs	22,560	17.0	324,864	14.40	16.0
Old Navy	Apparel	5/31/11	3 x 5 yrs	20,000	15.1	*	*	*
FP Stores Inc.	Apparel	4/30/12	—	15,024	11.3	136,343	9.08	6.7
Top 5 Total				**115,395**	**86.8%**			

* Data withheld at tenant's request.
(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

South Bay Marketplace Lease Expirations

The following table sets forth the lease expirations for leases in place at the South Bay Marketplace as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet[2]	Annualized Base Rent[3]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[4]
Available	—	—	—	—	—	—
2010	1	1,394	1.0%	$ 44,031	2.2%	$ 31.59
2011	2	22,880	17.2	378,891	18.6	16.56
2012	4	54,650	41.1	855,969	42.1	15.66
2013	2	28,565	21.5	346,423	17.1	12.13
2014	1	22,560	17.0	324,864	16.0	14.40
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	1	2,824	2.1	81,540	4.0	28.87
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**11**	**132,873**	**100.0%**	**$2,031,718**	**100.0%**	**$ 15.29**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes 2,824 square feet ground leased to McDonald's. See "—Ground Leases of Retail Portfolio."
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $81,540 pursuant to a ground lease to McDonald's. See "—Ground Leases of Retail Portfolio."

(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

South Bay Marketplace Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for South Bay Marketplace as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	100.0%	$ 15.29	$ 15.18
December 31, 2009	100.0	15.26	14.91
December 31, 2008	100.0	14.95	14.73
December 31, 2007	100.0	14.54	13.98
December 31, 2006	100.0	13.69	13.27
December 31, 2005	100.0	12.99	12.80

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes 2,824 square feet ground leased to McDonald's. See "—Ground Leases of Retail Portfolio."

(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $81,540 pursuant to a ground lease to McDonald's. See "—Ground Leases of Retail Portfolio."

(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, South Bay Marketplace will be subject to a $23.0 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for South Bay Marketplace is $11.071 per $1,000 of assessed value. The total annual tax for South Bay Marketplace at this rate for the tax year ended June 30, 2010 was $168,407 (at a taxable assessed value of $15.0 million). In addition, there was $1,957 in various direct assessments imposed on South Bay Marketplace by the City of National City and County of San Diego for the tax year ended June 30, 2010.

Rancho Carmel Plaza

Rancho Carmel Plaza is a neighborhood shopping center consisting of approximately 30,000 rentable square feet and 68 parking spaces situated on a 3.3 acre lot. The three building property, acquired and developed by us in 1990 and 1993, respectively, is located on Rancho Carmel Drive near the intersection of Interstate 15 and Highway 56 in San Diego and serves the upscale community of Carmel Mountain. The neighborhood center is a key transportation hub for the area and includes the first structured Park-N-Ride commuter parking lot in California. Additionally, several nearby retailers, including Costco, Reading Cinemas, Ross Dress for Less, Sports Authority and Barnes & Noble, attract potential customers to the area and create significant synergies with our center. As of June 30, 2010, the property was approximately 69.3% occupied, with major tenants including Oggi's Pizza & Brewery, Sprint PCS Assets, LLC d/b/a Sprint and USE Credit Union.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Rancho Carmel Plaza.

Rancho Carmel Plaza Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	17,020	116,369	250,260	37,853,430	309,038,974
2015 Projection	18,341	124,838	268,414	40,136,564	321,675,005
Estimated Growth 2010-2015	7.8%	7.3%	7.3%	6.0%	4.1%
Households					
2010 Estimate	6,330	40,295	85,976	12,653,856	116,136,617
2015 Projection	6,810	43,190	92,018	13,342,972	120,947,177
Estimated Growth 2010-2015	7.6%	7.2%	7.0%	5.4%	4.1%
2010 Estimated Average Household Income	$104,016	$117,920	$119,175	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 86,281	$ 98,077	$ 97,179	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Rancho Carmel Plaza Primary Tenants

The following table summarizes information regarding the primary tenants of Rancho Carmel Plaza as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[(1)]	Annualized Base Rent per Leased Square Foot[(2)]	Percentage of Property Annualized Base Rent
Oggi's Pizza & Brewing Co.	Restaurant	8/31/15	2 x 5 yrs	5,090	16.7%	$129,749	$ 25.49	19.3%
Sprint PCS Assets	Telecommunications	12/31/10	—	3,103	10.2	129,500	41.73	19.2
USE Credit Union	Financial Services	5/31/15	2 x 5 yrs	2,233	7.3	68,330	30.60	10.1
Sang Wook Lee d/b/a Carmel Plaza Cleaners	Dry Cleaning	7/31/13	—	1,683	5.5	70,102	41.65	10.4
Sandra Simpson Management, LLC d/b/a Doctors Weight Loss Clinic	Health	6/30/12	1 x 3 yrs	1,268	4.2	30,432	24.00	4.5
Top 5 Total				**13,377**	**44.0%**	**$428,114**	**$ 32.00**	**63.5%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Rancho Carmel Plaza Lease Expirations

The following table sets forth the lease expirations for leases in place at the Rancho Carmel Plaza as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	9,349	30.7%	—	—	—
2010	1	3,103	10.2	$129,500	19.2%	$ 41.73
2011	2	1,924	6.3	66,446	9.9	34.54
2012	3	3,557	11.7	99,896	14.8	28.08
2013	2	2,947	9.7	116,971	17.4	39.69
2014	—	—	—	—	—	—
2015	3	8,527	28.0	225,511	33.5	26.45
2016	1	1,014	3.3	35,587	5.3	35.10
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**12**	**30,421**	**100.0%**	**$673,911**	**100.0%**	**$ 31.98**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Rancho Carmel Plaza Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Rancho Carmel Plaza as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	69.3%	$ 31.98	$ 34.97
December 31, 2009	81.6	30.46	32.65
December 31, 2008	100.0	30.88	28.47
December 31, 2007	100.0	29.75	27.77
December 31, 2006	100.0	27.80	26.39
December 31, 2005	100.0	26.22	25.56

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Rancho Carmel Plaza will be subject to a $8.1 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Rancho Carmel Plaza is $10.368 per $1,000 of assessed value. The total annual tax for Rancho Carmel Plaza at this rate for the tax year ended June 30, 2010 was $71,762 (at a taxable assessed value of $6.7 million). In addition, there was $2,440 in various direct assessments imposed on Ranch Carmel Plaza by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Lomas Santa Fe Plaza

Lomas Santa Fe Plaza is an approximately 210,000 rentable square foot grocery anchored neighborhood shopping center built in 1972 consisting of nine buildings and 740 parking spaces on a 17.4 acre lot. The property is situated on Lomas Santa Fe Drive, immediately east of Interstate 5, and is located approximately one mile from public beaches, providing essential retail services to the upscale coastal communities of Solana Beach and Rancho Santa Fe. We acquired the shopping center in 1995 and immediately redeveloped the anchor space by doubling its size to 50,000 square feet and signing a new lease with Vons Companies, Inc. d/b/a Vons. Other major tenants include Ross Stores, Inc. d/b/a Ross Dress for Less, We-R-Fabrics, Big 5 Sporting Goods Corp and 24 Hour Fitness USA, Inc., and, as of June 30, 2010, the property was approximately 93.7% occupied.

We have approved entitlements on Lomas Santa Fe Plaza for the redevelopment and development of 65,340 rentable square feet (including 45,553 additional rentable square feet). Subject to future market conditions, we may decide to redevelop the property based on the approved entitlements. We expect that such redevelopment and development would cost approximately $27.8 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering. Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Lomas Santa Fe Plaza.

Lomas Santa Fe Plaza Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	9,097	41,032	125,960	37,853,430	309,038,974
2015 Projection	9,273	42,639	135,083	40,136,564	321,675,005
Estimated Growth 2010-2015	1.9%	3.9%	7.2%	6.0%	4.1%
Households					
2010 Estimate	3,913	17,539	49,840	12,653,856	116,136,617
2015 Projection	4,021	18,379	53,537	13,342,972	120,947,177
Estimated Growth 2010-2015	2.8%	4.8%	7.4%	5.4%	4.1%
2010 Estimated Average Household Income	$145,673	$144,177	$150,037	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 98,958	$100,077	$106,634	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Lomas Santa Fe Plaza Primary Tenants

The following table summarizes information regarding the primary tenants of Lomas Santa Fe Plaza as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Vons	Grocery	12/31/17	2 x 5 yrs 1 x 4 yrs	49,895	23.8%	$1,058,000	$ 21.20	21.0%
Ross Stores, Inc.	Apparel	1/31/13	1 x 5 yrs	30,000	14.3	900,000	30.00	17.9
We-R-Fabrics	Home Design	3/31/13	2 x 3 yrs	13,926	6.6	144,000	10.34	2.9
Big 5 Sporting Goods	Sporting Goods	1/31/13	1 x 5 yrs	9,761	4.7	148,767	15.24	3.0
24 Hour Fitness	Fitness Center	9/7/14	2 x 5 yrs	8,355	4.0	224,797	26.91	4.5
Top 5 Total				**111,937**	**53.4%**	**$2,475,565**	**$ 22.12**	**49.2%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Lomas Santa Fe Plaza Lease Expirations

The following table sets forth the lease expirations for leases in place at Lomas Santa Fe Plaza as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	13,175	6.3%	—	—	—
2010	8	15,868	7.6	$ 262,963	5.2%	$ 16.57
2011	7	18,329	8.7	644,892	12.8	35.18
2012	10	12,774	6.1	462,338	9.2	36.19
2013	9	61,509	29.4	1,491,440	29.7	24.25
2014	6	20,378	9.7	488,106	9.7	23.95
2015	5	6,529	3.1	234,489	4.7	35.91
2016	1	4,816	2.3	178,577	3.6	37.08
2017	2	56,191	26.8	1,265,768	25.2	22.53
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**48**	**209,569**	**100.0%**	**$5,028,573**	**100.0%**	**$ 25.60**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Lomas Santa Fe Plaza Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Lomas Santa Fe Plaza as of the dates indicated below:

Date	Percentage Leased[1][2]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
June 30, 2010	93.7%	$ 25.60	$ 24.85
December 31, 2009	96.1	25.74	25.37
December 31, 2008	98.0	25.73	25.61
December 31, 2007	99.0	22.45	22.45
December 31, 2006	99.3	21.14	21.37
December 31, 2005	97.7	20.48	20.88

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed two leases at Lomas Santa Fe Plaza for an aggregate of 2,334 net rentable square feet and an aggregate annualized base rent of $75,381, which commenced subsequent to June 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for Lomas Santa Fe Plaza is $10.1043 per $1,000 of assessed value. The total annual tax for Lomas Santa Fe Plaza at this rate for the tax year ended June 30, 2010 was $316,141 (at a taxable assessed value of $25.6 million). In addition, there was $57,762 in various direct assessments imposed on Lomas Santa Fe Plaza by the City of Solana Beach and County of San Diego for the tax year ended June 30, 2010.

Solana Beach Towne Centre

Solana Beach Towne Centre is a grocery anchored neighborhood center consisting of 12 buildings, approximately 247,000 rentable square feet and 1,124 parking spaces that we acquired in 1997. The property, located immediately west of Interstate 5 at the Lomas Santa Fe Drive exit, caters to the San Diego communities of Solana Beach, Del Mar and Rancho Santa Fe. As of June 30, 2010, the property was approximately 98.2% occupied, with major tenants including Henry's Holdings, LLC d/b/a Henry's Marketplace, CVS Pharmacy, Marshalls of CA, LLC d/b/a Marshalls, ProBuild Company, LLC d/b/a Dixieline ProBuild and Staples Properties, Inc. d/b/a Staples.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Solana Beach Towne Centre. However, we have entitlements to develop an additional approximately 13,000 square feet on a neighboring lot which will serve to connect the Solana Beach Towne Centre with our neighboring office property, Solana Beach Corporate Centre. Subject to future market conditions, we may decide to develop the property based on the approved entitlements. We expect that such development would cost approximately $5.9 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Solana Beach Towne Centre Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	11,250	40,476	122,298	37,853,430	309,038,974
2015 Projection	11,478	41,993	130,929	40,136,564	321,675,005
Estimated Growth 2010-2015	2.0%	3.7%	7.1%	6.0%	4.1%
Households					
2010 Estimate	4,996	17,304	48,697	12,653,856	116,136,617
2015 Projection	5,142	18,109	52,240	13,342,972	120,947,177
Estimated Growth 2010-2015	2.9%	4.7%	7.3%	5.4%	4.1%
2010 Estimated Average Household Income	$130,502	$143,500	$148,107	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 88,920	$ 99,778	$105,007	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Solana Beach Towne Centre Primary Tenants

The following table summarizes information regarding the primary tenants of Solana Beach Towne Centre as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Dixieline ProBuild	Lumber & Supplies	6/30/14	2 x 5 yrs	41,400	16.8%	$ 541,235	$ 13.07	10.1%
Marshalls	Department Store	1/31/15	1 x 5 yrs	39,295	15.9	553,667	14.09	10.4
CVS Pharmacy	Pharmacy	9/10/14	3 x 5 yrs	25,500	10.3	60,000	2.35	1.1
Staples	Office Supplies	4/30/15	1 x 5 yrs	21,875	8.9	365,969	16.73	6.9
Henry's Marketplace	Grocery	6/30/14	3 x 5 yrs	14,986	6.1	356,418	23.78	6.7
Top 5 Total				**143,056**	**58.0%**	**$1,877,289**	**$ 13.12**	**35.2%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Solana Beach Towne Centre Lease Expirations

The following table sets forth the lease expirations for leases in place at the Solana Beach Towne Centre as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	4,349	1.8%	—	—	—
2010	3	9,043	3.7	$ 232,304	4.4%	$ 25.69
2011	11	12,504	5.1	504,425	9.5	40.34
2012	9	22,236	9.0	702,054	13.2	31.57
2013	2	4,830	2.0	200,512	3.8	41.51
2014	11	111,504	45.2	1,910,278	35.8	17.13
2015	8	69,805	28.3	1,255,488	23.5	17.99
2016	2	8,794	3.6	325,224	6.1	36.98
2017	—	—	—	—	—	—
2018	1	906	0.4	39,754	0.7	43.88
2019	—	—	—	—	—	—
Thereafter	1	2,759	1.1	165,000	3.1	59.80
Total/Weighted Average:	**48**	**246,730**	**100.0%**	**$5,335,039**	**100.0%**	**$ 22.01**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Solana Beach Towne Centre Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Solana Beach Towne Centre as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	98.2%	$ 22.01	$ 21.72
December 31, 2009	97.8	21.42	21.05
December 31, 2008	98.0	20.31	20.01
December 31, 2007	98.5	19.75	19.02
December 31, 2006	100.0	18.43	17.82
December 31, 2005	96.7	17.72	17.54

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Solana Beach Towne Centre will be subject to a $40 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Solana Beach Towne Centre is $10.043 per $1,000 of assessed value. The total annual tax for Solana Beach Towne Centre at this rate for the tax year ended June 30, 2010 was $394,228 (at a taxable assessed value of $31.0 million). In addition, there was $82,440.40 in various direct assessments imposed on Solana Beach Towne Centre by the City of Solana Beach and County of San Diego for the tax year ended June 30, 2010.

Del Monte Center

Del Monte Center is an approximately 674,000 rentable square foot open-air regional shopping center in Monterey, California, which we have the ability to expand by an additional 15,000 rentable square feet. Located at the intersection of Highway 1 and Munras Avenue and serving as the area's only regional shopping center, Del Monte Center has attracted major tenants such as The Apple Store, Pottery Barn, Williams-Sonoma, California Pizza Kitchen, Macy's West, Inc. d/b/a Macy's, Whole Foods Market California, Inc. d/b/a Whole Foods Market, Petco, Rite Aid and Century Theaters, Inc., as well as more than 70 national retailers, locally owned specialty shops and restaurants. The area's strict zoning restrictions and regulations serve as high barriers to entry to competitors seeking to replicate Del Monte Center's offerings in nearby locations. In 2007, two years after we acquired the property, we significantly renovated and repositioned the property. Del Monte Center is subject to an ongoing environmental remediation. See "—Regulation—Environmental Matters."

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Del Monte Center.

Del Monte Center Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	6,212	53,276	90,347	37,853,430	309,038,974
2015 Projection	6,031	52,439	90,487	40,136,564	321,675,005
Estimated Growth 2010-2015	(2.9)%	(1.6)%	0.2%	6.0%	4.1%
Households					
2010 Estimate	2,917	23,499	36,792	12,653,856	116,136,617
2015 Projection	2,849	23,274	36,813	13,342,972	120,947,177
Estimated Growth 2010-2015	(2.3)%	(1.0)%	0.1%	5.4%	4.1%
2010 Estimated Average Household Income	$84,231	$88,931	$88,090	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$65,184	$65,851	$64,336	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Del Monte Center Primary Tenants

The following table summarizes information regarding the primary tenants of Del Monte Center as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Macy's	Depart. Store	7/31/18	5 x 10 yrs	212,500	31.5%	$ 96,000	$ 0.45	1.1%
KLA Monterey	General Retail[3]	7/31/20	—	82,600	12.3	105,291	1.27	1.2
Century Theatres, Inc.	Entertainment	12/31/24	2 x 10 yrs	43,839	6.5	687,396	15.68	7.7
Macy's Furniture Gallery	Furniture	8/31/15	1 x 5 yrs	39,713	5.9	584,545	14.72	6.5
Whole Foods Market	Grocery	7/31/18	3 x 5 yrs	24,976	3.7	368,396	14.75	4.1
Top 5 Total				**403,628**	**59.9%**	**$1,841,627**	**$ 4.56**	**20.6%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) Our tenant KLA Monterey is currently remodeling this space and is negotiating with an apparel company to sublease this space.

Del Monte Center Lease Expirations

The following table sets forth the lease expirations for leases in place at Del Monte Center as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet[2]	Annualized Base Rent[3]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[4]
Available	—	17,362	2.6%	—	—	—
2010	9	26,778	4.0	$ 695,650	7.8%	$ 25.98
2011	14	43,562	6.5	1,179,376	13.2	27.07
2012	9	30,516	4.5	1,046,489	11.7	34.29
2013	9	24,514	3.6	853,156	9.5	34.80
2014	8	68,805	10.2	1,470,289	16.4	21.37
2015	8	55,378	8.2	1,075,105	12.0	19.41
2016	3	6,179	0.9	194,042	2.2	31.40
2017	6	15,097	2.2	586,418	6.5	38.84
2018	4	243,224	36.1	618,848	6.9	2.54
2019	1	1,635	0.2	32,700	0.4	20.00
Thereafter	5	141,174	20.9	1,203,991	13.4	8.53
Total/Weighted Average:	**76**	**674,224**	**100.0%**	**$8,956,064**	**100.0%**	**$ 13.63**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes an aggregate of 295,100 square feet ground leased to Macy's and KLA Monterey Leasehold, LLC. See "—Ground Leases of Retail Portfolio."

(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $201,291 pursuant to the two ground leases described above. See "—Ground Leases of Retail Portfolio."
(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Del Monte Center Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Del Monte Center as of the dates indicated below:

Date	Percentage Leased[1][2]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
June 30, 2010	97.4%	$ 13.63	$ 12.58
December 31, 2009	98.0	15.35	12.73
December 31, 2008	98.7	15.27	12.34
December 31, 2007	94.3	13.52	11.97
December 31, 2006	96.6	12.96	11.60
December 31, 2005	97.8	13.25	11.54

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes an aggregate of 295,100 square feet ground leased to Macy's and KLA Monterey Leasehold, LLC. See "—Ground Leases of Retail Portfolio."
(2) We have executed two leases at Del Monte Center for an aggregate of 2,565 net rentable square feet and an aggregate annualized base rent of $27,060, which commenced subsequent to June 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $201,291 pursuant to the two ground leases described above. See "—Ground Leases of Retail Portfolio."
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Del Monte Center will be subject to an $82.3 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Del Monte Center is $10.00 per $1,000 of assessed value. The total annual tax for Del Monte Center at this rate for the tax year ended June 30, 2010 was $959,726 (at a taxable assessed value of $93.8 million). In addition, there was $21,780 in various direct assessments imposed on Del Monte Center by the City of Monterey and County of Monterey for the 2009 tax year.

Oahu, Hawaii

The Shops at Kalakaua

The Shops at Kalakaua is an approximately 12,000 rentable square foot retail destination located in Honolulu, Hawaii. This project, located in the core of the Waikiki Special District, features four storefronts (three buildings) facing heavily trafficked Kalakaua Avenue, the primary thoroughfare in Waikiki. The Shops at Kalakaua is part of the hub of upscale retailers, restaurants, hotels and business plazas that make the area a heavily visited tourist destination. Conveniently located across the street from our mixed-use property, Waikiki

Beach Walk, The Shops at Kalakaua was 100% occupied as of June 30, 2010 and features Oakley, Food Pantry, LTD d/b/a Whalers General Store, Swarovski Crystal and Diesel USA, Inc. Originally built in 1971, the property was renovated in 2006 as part of the Waikiki revitalization effort. Given its central Waikiki location, The Shops at Kalakaua enjoy excellent visibility, strong foot traffic and frequent business from both tourist as well as local shoppers.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of The Shops at Kalakaua.

The Shops at Kalakaua Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Hawaii	United States
Population					
2010 Estimate	48,076	181,672	270,108	1,300,985	309,038,974
2015 Projection	48,598	183,417	270,755	1,335,889	321,675,005
Estimated Growth 2010-2015	1.1%	1.0%	0.2%	2.7%	4.1%
Households					
2010 Estimate	25,499	83,578	111,981	444,202	116,136,617
2015 Projection	25,791	85,093	113,401	460,493	120,947,177
Estimated Growth 2010-2015	1.1%	1.8%	1.3%	3.7%	4.1%
2010 Estimated Average Household Income	$56,418	$ 69,774	$ 75,911	$ 85,525	$ 71,071
2010 Estimated Median Household Income	$43,215	$ 49,193	$ 52,464	$ 66,754	$ 52,795

Source: Census, Claritas, Nielson Company

The Shops at Kalakaua Primary Tenants

The following table summarizes information regarding the tenants of The Shops at Kalakaua as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Whalers General Store	General Merchandise	5/31/14	2 x 5 yrs	3,597	30.8%	$ 410,058	$ 114.00	26.7%
Diesel U.S.A. Inc.	Apparel	1/31/14	1 x 5 yrs	3,340	28.6	462,924	138.60	30.2
Swarovski Crystal	Jewelry & Collectibles	1/31/21	—	2,606	22.3	299,690	115.00	19.5
Oakley	Eyewear	1/31/16	1 x 5 yrs	2,128	18.2	362,356	170.28	23.6
Total				**11,671**	**100.0%**	**$1,535,028**	**$ 131.52**	**100.0%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

The Shops at Kalakaua Lease Expirations

The following table sets forth the lease expirations for leases in place at The Shops at Kalakaua as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options or early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	—	—	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	—	—	—	—	—	—
2013	—	—	—	—	—	—
2014	2	6,937	59.4%	$ 872,982	56.9%	$ 125.84
2015	—	—	—	—	—	—
2016	1	2,128	18.2	362,356	23.6	170.28
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	1	2,606	22.3	299,690	19.5	115.00
Total/Weighted Average:	**4**	**11,671**	**100.0%**	**$1,535,028**	**100.0%**	**$ 131.52**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

The Shops at Kalakaua Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for The Shops at Kalakaua as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	100.0%	$ 131.52	$ 136.07
December 31, 2009	100.0	139.42	138.58
December 31, 2008	100.0	133.96	138.58
December 31, 2007	100.0	133.96	138.58
December 31, 2006	100.0	133.96	138.58
December 31, 2005	100.0	132.11	137.45

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for The Shops at Kalakaua is $12.40 per $1,000 of assessed value. The total annual tax for The Shops at Kalakaua at this rate for the tax year ended June 30, 2010 was $115,775 (at a taxable assessed value of $9.0 million). In addition, there was $4,140 in various direct assessments imposed on The Shops at Kalakaua by the City of Honolulu and County of Honolulu for the tax year ended June 30, 2010.

Waikele Center

Waikele Center is a 538,000 rentable square foot regional open-air shopping center located in Waipahu, Hawaii, approximately 15 miles west of Honolulu. The property, positioned along a rapidly developing corridor of West Oahu, enjoys over 3,000 feet of frontage along Interstate H-1, which provides high visibility and convenient access to the highway. Waikele Center is situated on 41.85 acres and includes nine structures with 2,060 parking spaces. Initially built in phases between 1992 and 1993, construction of the ninth building, the Waikele Professional Center, was completed in 2008. This shopping complex is one of Central Oahu's largest and highest profile retail projects, and it is anchored by Lowe's Home Improvement, Kmart Corporation, Borders Book & Music, Officemax, Inc. and TSA Stores, Inc. d/b/a The Sports Authority. Along with Old Navy, the shopping center is home to multiple specialty retailers and restaurants that include Chili's Grill & Bar, Starbucks Corporation d/b/a Starbucks Coffee, Jamba Juice, McDonald's, KFC and various other quick-serve restaurants. Supported by solid demographics in the surrounding area, nearly all tenants in Waikele Center outperform their sister stores in Hawaii by a significant margin as measured by sales per square foot. In addition, Waikele Professional Center offers 17,177 rentable square feet of office/retail space, which is particularly attractive to medical and service practitioners integral to the community, adding a supportive service oriented dynamic to this property.

Additionally, the property is uniquely positioned by its proximity to the Waikele Premium Outlets, a factory outlet retail center. Catering to tourist and local trade, both our Waikele Center and the Waikele Premium Outlets enjoy a synergistic and symbiotic relationship, each with complimentary offerings that support a diverse shopping experience. Transport between these properties is encouraged via a free trolley service that circulates customers to various destinations.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Waikele Center.

Waikele Center Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Hawaii	United States
Population					
2010 Estimate	29,451	106,739	206,328	1,300,985	309,038,974
2015 Projection	30,425	108,785	211,364	1,335,889	321,675,005
Estimated Growth 2010-2015	3.3%	1.9%	2.4%	2.7%	4.1%
Households					
2010 Estimate	8,106	30,457	62,692	444,202	116,136,617
2015 Projection	8,502	31,312	64,694	460,493	120,947,177
Estimated Growth 2010-2015	4.9%	2.8%	3.2%	3.7%	4.1%
2010 Estimated Average Household Income	$103,133	$ 94,534	$ 97,103	$ 85,525	$ 71,071
2010 Estimated Median Household Income	$ 88,237	$ 81,458	$ 83,819	$ 66,754	$ 52,795

Source: Census, Claritas, Nielson Company

Waikele Center Primary Tenants

The following table summarizes information regarding the primary tenants of the Waikele Center as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration[1]	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[2]	Annualized Base Rent per Leased Square Foot[3]	Percentage of Property Annualized Base Rent
Lowe's	Hardware	5/31/18	3 x 5 yrs	155,000	28.8%	$3,992,647	$ 25.8	24.4%
Kmart	Discount Dept. Store	6/30/18	5 x 5 yrs	119,590	22.2	3,468,110	29.0	21.2
Sports Authority	Athletics	7/18/13	3 x 5 yrs	50,050	9.3	1,501,500	30.0	9.2
Foodland Super Market[4]	Grocery	1/25/14	—	50,000	9.3	2,247,578	45.0	13.7
Old Navy	Apparel	7/31/12	2 x 4 yrs	24,759	4.6	*	*	*
Top 5 Total				**399,399**	**74.2%**			

* Data withheld at tenant's request.
(1) Expiration dates assume no exercise of renewal, extension or termination options.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(4) Foodland Super Market, Ltd. has ceased all operations in its leased premises and has subleased the premises to International Church of the Foursquare Gospel. Although we are currently collecting the rent for the leased premises, Foodland Super Market, Ltd.'s lease expires in 2014 and it is unlikely that it will renew its lease with us. We expect to collect the full amount remaining under the lease in accordance with its terms; however, there can be no assurances that we will do so.

Waikele Center Lease Expirations

The following table sets forth the lease expirations for leases in place at the Waikele Center as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	30,484	5.7%	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	2	26,943	5.0	$ 735,462	4.5%	$ 27.30
2013	7	67,348	12.5	2,589,676	15.8	38.45
2014	12	109,549	20.4	4,369,743	26.7	39.89
2015	3	9,470	1.8	509,220	3.1	53.77
2016	5	15,063	2.8	503,792	3.1	33.45
2017	—	—	—	—	—	—
2018	3	276,052	51.3	7,524,004	45.9	27.26
2019	2	3,056	0.6	159,908	1.0	52.33
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**34**	**537,965**	**100.0%**	**$16,391,804**	**100.0%**	**$ 32.30**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.

(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Waikele Center Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for the Waikele Center as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	94.3%	$ 32.30	$ 32.36
December 31, 2009	94.3	32.19	32.18
December 31, 2008	97.4	30.33	30.61
December 31, 2007	100.0	28.88	31.03
December 31, 2006	100.0	27.68	31.12
December 31, 2005	99.0	27.04	30.83

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Waikele Center will be subject to a $140.7 million mortgage loan, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering.”

The current real estate tax rate for Waikele Center is $12.40 per $1,000 of assessed value. The total annual tax for Waikele Center at this rate for the tax year ended June 3, 2010 was $1,880,167 (at a taxable assessed value of $151.6 million). There were no direct assessments imposed on Waikele Center by the City of Waipahu or County of Honolulu for the tax year ended June 30, 2010.

San Antonio, Texas

Alamo Quarry

Alamo Quarry is a 59-acre lifestyle center, which offers shopping, dining and entertainment with a total of approximately 590,000 rentable square feet, and is located in San Antonio, Texas. Once the home of Alamo Cement Company, Alamo Quarry was constructed in 1997 and incorporates the property’s original smokestacks, rock crusher building and other historic features. The property has highly visible frontage along the east side of Highway 281, one of San Antonio’s busiest thoroughfares, and is easily accessible via the Basse Road and Jones-Maltsberger Road exits. Among more than 70 retail stores and restaurants, major tenants include Borders Books & Music, Whole Foods, Bed Bath & Beyond, Officemax, Old Navy, Michaels Stores, Inc. d/b/a Michaels Arts & Crafts and a Regal Cinemas, Inc. 16-Plex movie theatre.

Anticipated capital expenditure requirements for this property include a multi-year roof replacement project phased over four years. The anticipated capital expenditures for this project are $1,007,500; $735,300; $712,200; and $231,400 for 2010, 2011, 2012 and 2013, respectively. These anticipated capital expenditures will be funded with cash on hand.

Alamo Quarry Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Texas	United States
Population					
2010 Estimate	9,417	116,173	306,905	25,006,778	309,038,974
2015 Projection	10,086	121,176	319,219	26,983,559	321,675,005
Estimated Growth 2010-2015	7.1%	4.3%	4.0%	7.9%	4.1%
Households					
2010 Estimate	4,199	46,565	119,431	8,796,031	116,136,617
2015 Projection	4,521	48,384	124,067	9,473,062	120,947,177
Estimated Growth 2010-2015	7.7%	3.9%	3.9%	7.7%	4.1%
2010 Estimated Average Household Income	$99,839	$ 63,864	$ 54,307	$ 68,330	$ 71,071
2010 Estimated Median Household Income	$70,017	$ 42,460	$ 38,844	$ 49,723	$ 52,795

Source: Census, Claritas, Nielson Company

Alamo Quarry Primary Tenants

The following table summarizes information regarding the primary tenants of Alamo Quarry as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Regal Cinemas	Entertainment	3/31/18	2 x 5 yrs	72,447	12.3%	$1,014,258	$ 14.00	8.8%
Bed Bath & Beyond	Housewares	1/31/13	3 x 5 yrs	40,015	6.8	510,000	12.75	4.4
Whole Foods Market	Grocery	10/31/12	4 x 5 yrs	38,005	6.4	436,867	11.49	3.8
Borders Books & Music	Books	11/30/12	4 x 5 yrs	30,000	5.1	585,000	19.50	5.1
Bally Total Fitness Corp.	Service	8/31/13	3 x 5 yrs	26,000	4.4	435,500	16.75	3.8
Top 5 Total				**206,467**	**35.0%**	**$2,981,625**	**$ 14.44**	**25.9%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Alamo Quarry Lease Expirations

The following table sets forth the lease expirations for leases in place at the Alamo Quarry as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet[2]	Annualized Base Rent[3]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[4]
Available	—	30,257	5.1%	—	—	—
2010	—	—	—	—	—	—
2011	4	8,576	1.5	$ 222,746	1.9%	$ 25.97
2012	21	165,532	28.1	3,246,658	28.2	19.61
2013	22	182,358	30.9	3,388,701	29.5	18.58
2014	2	5,909	1.0	157,039	1.4	26.58
2015	5	24,686	4.2	760,923	6.6	30.82
2016	7	37,883	6.4	1,162,184	10.1	30.68
2017	4	25,164	4.3	435,120	3.8	17.29
2018	3	85,215	14.5	1,454,434	12.6	17.07
2019	2	18,891	3.2	537,065	4.7	28.43
Thereafter	2	5,008	0.8	135,272	1.2	27.01
Total/Weighted Average:	**72**	**589,479**	**100.0%**	**$11,500,141**	**100.0%**	**$ 20.56**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes an aggregate of 32,000 square feet ground leased to Joe's Crab Shack, J. Alexander's Restaurant, P.F. Chang's China Bistro and Chili's Grill & Bar. See "—Ground Leases of Retail Portfolio."
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $428,250 pursuant to four ground leases. See "—Ground Leases of Retail Portfolio."
(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Alamo Quarry Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Alamo Quarry as of the dates indicated below:

Date	Percentage Leased[1][2]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
June 30, 2010	94.9%	$ 20.56	$ 20.86
December 31, 2009	94.2	20.52	20.81
December 31, 2008	96.7	20.57	20.50
December 31, 2007	96.3	19.68	19.73
December 31, 2006	96.1	18.87	19.58
December 31, 2005	97.8	18.06	19.23

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes an aggregate of 32,000 square feet ground leased to Joe's Crab Shack, J. Alexander's Restaurant, P.F. Chang's China Bistro and Chili's Grill & Bar. See "—Ground Leases of Retail Portfolio."
(2) We have executed a lease at Alamo Quarry for 5,500 net rentable square feet and annualized base rent of $165,000, which commenced subsequent to June 30, 2010.

(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $428,250 pursuant to four ground leases. See "—Ground Leases of Retail Portfolio."

(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Alamo Quarry will be subject to a $98.9 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Alamo Quarry is $24.726 per $1,000 of assessed value. The total annual tax for Alamo Quarry at this rate for the tax year ended December 31, 2009 was $3,531,595 (at a taxable assessed value of $138.8 million). There were no direct assessments imposed on Alamo Quarry by the City of San Antonio or County of Bexar for the tax year ended December 31, 2009.

Office Portfolio

Our office portfolio consists of five office properties comprising an aggregate of approximately 1.5 million rentable square feet. As of June 30, 2010, our office properties were approximately 91.7% leased to 122 tenants (or 93.9% leased, giving effect to leases signed but not commenced as of that date). All of our office properties are located in prime California submarkets. As of June 30, 2010, the weighted average remaining lease term for our pro rata office portfolio was 49.9 months.

Tenant Diversification of Office Portfolio

As of June 30, 2010, the properties in our office portfolio were leased to 122 tenants in a variety of industries with no single tenant representing more than 14.1% of total annualized base rent of our pro rata office portfolio. The following table sets forth information regarding the ten largest tenants in our office portfolio based on annualized base rent as of June 30, 2010:

Tenant	Number of Leases	Number of Properties	Property(s)	Lease Expiration	Total Leased Square Feet	Percentage of Office Portfolio Net Rentable Square Feet	Annualized Base Rent[1]	Percentage of Office Portfolio Annualized Base Rent
salesforce.com, inc.[2]	2	1	The Landmark at One Market	4/30/20 6/30/19	125,663	8.6%	$ 7,411,917	14.1%
Del Monte Corporation[2]	2	1	The Landmark at One Market	12/18/10	101,229	7.0	5,456,239	10.4
Insurance Company of the West[3]	3	2	Torrey Reserve Campus, Valencia Corporate Center	12/31/16[4] 6/30/19	147,196	10.1	4,303,140	8.2
DLA Piper[5]	1	1	160 King Street	2/28/12	69,656	4.8	3,234,661	6.2
Microsoft[6]	2	1	The Landmark at One Market	12/31/12	45,795	3.2	2,885,085	5.5
Autodesk[6]	2	1	The Landmark at One Market	12/31/15 12/31/17	46,170	3.2	2,202,706	4.2
Brown & Toland	1	1	160 King Street	7/31/17	53,147	3.7	1,403,717	2.7
Evelyn & Walter Haas Jr. Fund[6]	1	1	The Landmark at One Market	1/5/11	22,699	1.6	1,316,542	2.5
California Bank & Trust	2	1	Torrey Reserve Campus	5/31/19 10/31/19	29,985	2.1	1,310,616	2.5
McDermott Will & Emery	1	1	Torrey Reserve Campus	11/30/18	25,044	1.7%	1,228,634	2.3
Total					**666,584**	**45.9%**	**$30,753,256**	**58.6%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease(s), by (ii) 12.

(2) Del Monte Corporation announced that it will vacate its 101,229 square feet of office space at The Landmark at One Market when its lease expires in December 2010. Salesforce.com, which currently leases 125,653 square feet of office space at this property, has signed a lease to expand into the entire space to be vacated by Del Monte Corporation. Pursuant to the terms of this lease, which commences in June 2011 and has an initial term of ten years, salesforce.com will receive one year of free rent. Total abatements under the new lease are $4,276,899, including $356,408 for the month of June 2011.

(3) Insurance Company of the West was founded, and is indirectly controlled, by Mr. Rady, who currently serves as the chairman of its board of directors.

(4) The earliest optional termination date under this lease is June 30, 2012.

(5) DLA Piper has leased two floors of 160 King Street. DLA Piper has vacated this space in conjunction with its relocation to a new office building but will continue to pay rent on this space until the lease expires in February 2012. As part of DLA Piper's relocation, the manager of DLA Piper's new building is responsible for subleasing DLA Piper's vacated space in 160 King Street. As of July 31, 2010, 28,175 square feet, 28,788 square feet and 3,570 square feet of DLA Piper's vacated space has been subleased to Pier 38 Maritime Business, Greenberg Traurig, LLP and Capsilon Corporation, respectively, and the remainder remains available. We will continue to collect rent from DLA Piper through February 2012 regardless of whether the remaining space is subleased.

(6) Autodesk has entered into leases to expand into the approximately 69,000 square feet of space currently leased by Microsoft and Evelyn & Walter Haas Jr. Fund. Since December 2007, Autodesk has subleased 45,795 square feet of space leased to Microsoft at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over Microsoft's entire 45,795 square feet of space upon the termination of Microsoft's lease in December 2012. In addition, Autodesk is currently subleasing 5,334 square feet of space leased to Evelyn & Walter Haas Jr. Fund, or the Haas Fund, at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over the Haas Fund's entire 22,699 square feet of space upon the termination of the Haas Fund's lease in January 2011.

Lease Distribution of Office Portfolio

The following table sets forth information relating to the distribution of leases in our office portfolio, based on net rentable square feet under lease as of June 30, 2010:

Square Feet Under Lease	Number of Leases	Percentage of Office Leases	Total Leased Square Feet	Percentage of Office Portfolio Leased Square Feet	Annualized Base Rent[1]	Percentage of Office Portfolio Annualized Base Rent
2,500 or less	36	27.3%	56,381	4.2%	$ 1,902,254	3.6%
2,501-10,000	67	50.8	359,455	27.0	12,729,929	24.3
10,001-20,000	16	12.1	233,169	17.5	8,037,643	15.3
20,001-40,000	7	5.3	213,743	16.0	8,925,217	17.0
40,001-100,000	5	3.8	352,158	26.4	13,790,137	26.3
Greater than 100,000	1	0.8	116,851	8.8	7,093,263	13.5
Office Portfolio Total:	**132**	**100%**	**1,331,757**	**100%**	**$52,478,443**	**100%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease(s), by (ii) 12.

Lease Expirations of Office Portfolio

The following table sets forth a summary schedule of the lease expirations for leases in place as of June 30, 2010 plus available space, for each of the ten full calendar years beginning January 1, 2010 at the properties in our office portfolio. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Office Portfolio Net Rentable Square Feet	Annualized Base Rent[1]	Percentage of Office Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot[2]
Available	—	121,063	8.3%	—	—	—
2010	21	173,297	11.9	$ 7,758,072	14.8%	$ 44.77
2011	22	90,118	6.2	3,812,029	7.3	42.30
2012	27	341,551	23.5	13,137,662	25.0	38.46
2013	24	176,629	12.2	5,877,476	11.2	33.28
2014	11	73,000	5.0	2,481,769	4.7	34.00
2015	11	103,949	7.2	4,141,754	7.9	39.84
2016	3	30,275	2.1	733,813	1.4	24.24
2017	2	68,459	4.7	1,910,545	3.6	27.91
2018	2	32,710	2.3	1,479,726	2.8	45.24
2019	6	94,010	6.5	3,614,916	6.9	38.45
Thereafter	3	147,759	10.2	7,530,681	14.4	50.97
Office Portfolio Total:	**132**	**1,452,820**	**100.0%**	**$52,478,443**	**100.0%**	**$ 39.41**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Historical Office Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs per square foot for tenants at the properties in our office portfolio for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010:

	Year Ended December 31,			Six Months Ended June 30, 2010	Weighted Average January 1, 2007 to June 30, 2010
	2007	2008	2009		
Expirations					
Number of leases expired during applicable period	17	16	34	14	21
Aggregate net rentable square footage of expiring leases	68,266	61,146	218,706	57,087	107,618
Renewals					
Number of leases/renewals	16	15	12	8	13
Square feet	112,374	160,828	136,363	267,175	155,186
Tenant improvement costs(1)	$ 233,613	$ 1,136,538	$ 352,108	$ 473,557	$ 559,294
Leasing commission costs(1)	585,248	1,036,349	716,818	2,100,242	923,981
Total tenant improvement and leasing commission costs(1)	$ 818,861	$ 2,172,887	$ 1,068,926	$ 2,573,799	$ 1,483,275
Tenant improvement costs per square foot(1)	$ 2.08	$ 7.07	$ 2.58	$ 1.77	$ 3.60
Leasing commission costs per square foot(1)	5.21	6.44	5.26	7.86	5.95
Total tenant improvement and leasing commission costs per square foot(1)	$ 7.29	$ 13.51	$ 7.84	$ 9.63	$ 9.55
New Leases					
Number of leases	32	8	9	8	15
Square feet	175,280	127,110	79,787	125,493	127,121
Tenant improvement costs(1)	$ 5,009,678	$ 1,222,534	$ 2,134,466	$ 240,351	$ 2,393,821
Leasing commission costs(1)	1,182,371	933,627	291,988	1,544,508	868,200
Total tenant improvement and leasing commission costs(1)	$ 6,192,049	$ 2,156,161	$ 2,426,453	$ 1,784,859	$ 3,262,021
Tenant improvement costs per square foot(1)	$ 28.58	$ 9.62	$ 26.75	$ 1.92	$ 18.83
Leasing commission costs per square foot(1)	6.75	7.35	3.66	12.31	6.83
Total tenant improvement and leasing commission costs per square foot(1)	$ 35.33	$ 16.97	$ 30.41	$ 14.23	$ 25.66
Total					
Number of leases	48	23	21	16	29
Square feet	287,654	287,938	216,150	392,668	282,307
Tenant improvement costs(1)	$ 5,243,291	$ 2,359,072	$ 2,486,574	$ 713,909	$ 3,132,300
Leasing commission costs(1)	1,767,619	1,969,976	1,008,805	3,644,750	1,798,280
Total tenant improvement and leasing commission costs(1)	$ 7,010,910	$ 4,329,048	$ 3,495,379	$ 4,358,658	$ 4,930,580
Tenant improvement costs per square foot(1)	$ 18.23	$ 8.19	$ 11.50	$ 1.82	$ 11.10
Leasing commission costs per square foot(1)	6.14	6.84	4.67	9.28	6.37
Total tenant improvement and leasing commission costs per square foot(1)	$ 24.37	$ 15.03	$ 16.17	$ 11.10	$ 17.47

(1) Assumes all tenant improvement and leasing commissions are paid in the calendar year in which the lease commences, which may be different than the year in which they were actually paid.

Description of Our Office Properties

The Landmark at One Market will account for more than 10% of our total assets, based on book value, or more than 10% of our gross revenues as of, and for the year ended, December 31, 2009. Our five other office properties described below will each account for less than 10% of our total assets, based on book value, and less than 10% of our gross revenues as of, and for the year ended December 31, 2009.

Southern California

Torrey Reserve Campus

Torrey Reserve Campus is an office campus situated in a prime coastal location in the Del Mar Heights area of San Diego between La Jolla and Del Mar and is conveniently accessible from Interstate 5, Interstate 805 and Highway 56. The campus has views of the Pacific Ocean and the Torrey Pines state park, and is extensively landscaped with numerous high quality tenant amenities including two fully equipped gymnasiums for exclusive tenant use and a 41,000 square foot parking lot.

Torrey Reserve Campus is comprised of seven multi-tenant office buildings and two single-tenant buildings on 11 acres offering approximately 457,000 rentable square feet of space, as described below:

- *ICW Plaza*: ICW Plaza is an approximately 156,000 rentable square foot office building with Insurance Company of the West as a major tenant. ICW Plaza will serve as the headquarters of American Assets Trust, Inc.
- *Torrey Reserve—North Court*: Torrey Reserve—North Court consists of two buildings totaling approximately 130,000 rentable square feet of office space with major tenants including the law firm McDermott Will & Emery and California Bank and Trust.
- *Torrey Reserve—South Court*: Torrey Reserve—South Court consists of two buildings totaling approximately 130,000 rentable square feet of office space with international executive training firm Vistage Worldwide as a major tenant.
- *Torrey Reserve—VC I*: Torrey Reserve—VC I is an office building consisting of approximately 11,000 rentable square feet occupied by California Bank and Trust.
- *Torrey Reserve—VC II*: Torrey Reserve—VC II is a single tenant building consisting of approximately 8,000 rentable square feet occupied by a Ruth's Chris Steak House.
- *Torrey Reserve—VC III*: Torrey Reserve—VC III is an office building consisting of approximately 14,000 rentable square feet occupied by the San Diego Fertility Center and Changes Plastic Surgery.
- *Torrey Reserve—Daycare*: Torrey Reserve—Daycare is a single tenant building consisting of approximately 8,000 rentable square feet occupied by Bright Horizons, a daycare center.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Torrey Reserve Campus. However, we have approved entitlements to further develop two parcels totaling approximately 17 acres. On one parcel, we have approved entitlements to build three additional office buildings totaling approximately 41,692 square feet, as well as a subterranean parking structure. On the other parcel, we have approved entitlements to build two additional office buildings, totaling approximately 40,000 square feet. Subject to future market conditions, we may decide to develope the property based on the approved entitlements. We expect that such development would cost approximately $16.7 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Torrey Reserve Campus Primary Tenants

The following table summarizes information regarding the primary tenants of Torrey Reserve Campus as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Insurance Company of the West[3]	Insurance	12/31/16[4]	2 x 5 yrs	92,982	20.4%	$2,747,069	$ 29.54	18.8%
Vistage Worldwide Inc.	Executive Training	6/30/13	1 x 5 yrs	36,980	8.1	1,131,588	30.60	7.7
California Bank and Trust	Financial Services	5/31/19 10/31/19	2 x 5 yrs	29,985	6.6	1,310,616	43.71	9.0
McDermott Will & Emery	Legal Services	11/30/18[5]	2 x 5 yrs	25,044	5.5	1,228,634	49.06	8.4
Barrister Executive Suites, Inc.	Executive Suite Rental	12/31/12	—	18,657	4.1	589,641	31.60	4.0
Top 5 Total				**203,648**	**44.6%**	**$7,007,548**	**$ 34.41**	**47.9%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) Insurance Company of the West was founded, and is indirectly controlled, by Mr. Rady, who currently serves as the chairman of its board of directors.

(4) The earliest optional termination date under this lease is June 30, 2012.
(5) The earliest optional termination under this lease date is December 1, 2011.

Torrey Reserve Campus Lease Expirations

The following table sets forth the lease expirations for leases in place at Torrey Reserve Campus as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[1]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[2]
Available	—	32,040	7.0%	—	—	—
2010	3	9,391	2.1	$ 232,716	1.6%	$ 24.78
2011	8	32,001	7.0	1,184,960	8.1	37.03
2012	5	13,285	29.2	4,244,467	29.0	31.85
2013	9	75,424	16.5	2,555,514	17.5	33.88
2014	5	45,024	9.9	1,535,700	10.5	34.11
2015	5	26,718	5.8	941,122	6.4	35.22
2016	2	26,365	5.8	602,437	4.1	22.85
2017	—	—	—	—	—	—
2018	2	32,710	7.2	1,479,726	10.1	45.24
2019	4	43,843	9.6	1,851,078	12.0	42.22
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**43**	**456,801**	**100.0%**	**$14,627,721**	**100.0%**	**$ 34.44**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Torrey Reserve Campus Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Torrey Reserve Campus as of the dates indicated below:

Date	Percentage Leased[1][2]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
June 30, 2010	93.0%	$ 34.44	$ 34.91
December 31, 2009	90.7	35.37	37.47
December 31, 2008	96.9	34.50	34.99
December 31, 2007	99.3	32.11	30.73
December 31, 2006	91.1	25.54	26.82
December 31, 2005	88.8	25.56	26.32

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed two leases at Torrey Reserve Campus for an aggregate of 9,066 net rentable square feet and an aggregate annualized base rent of $318,691, which commenced subsequent to June 30, 2010.

(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Torrey Reserve Campus will be subject to an $72.8 million mortgage loan, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering.”

The current real estate tax rate for Torrey Reserve Campus is $10.1043 per $1,000 of assessed value. The total annual tax for Torrey Reserve Campus at this rate for the tax year ended June 30, 2010 was $1,235,311 (at a taxable assessed value of $113.1 million). In addition, there was $92,457 in various direct assessments imposed on Torrey Reserve Campus by the City of San Diego and County of San Diego for the tax year.

Solana Beach Corporate Centre

Solana Beach Corporate Centre is located adjacent to Solana Beach Towne Centre between the Lomas Santa Fe and Via de La Valle exits off Interstate 5 in San Diego. Solana Beach Corporate Centre, which was constructed between 1982 and 2005, is comprised of four three-story buildings totaling approximately 212,000 rentable square feet of office space and offers the convenience of nearby restaurants and shopping. The property’s tenant base primarily consists of smaller legal, professional, medical office and financial service firms.

Other than (1) a facade beam replacement, which is expected to occur within the next two years and to cost approximately $1 million, and (2) recurring capital expenditures, we have no immediate plans with respect

to major renovation or redevelopment of Solana Beach Corporate Centre. The facade beam replacement will be funded out of cash on hand. In addition, as discussed above with respect to Solana Beach Towne Centre, we have entitlements to develop an additional approximately 13,000 square feet on the property, which will serve to connect the Solana Beach Corporate Centre with our neighboring retail property. Subject to future market conditions, we may decide to develop the property based on the approved entitlements. We expect that such development would cost approximately $5.9 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Solana Beach Corporate Centre Primary Tenants

The following table summarizes information regarding the primary tenants of the Solana Beach Corporate Centre as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Daley & Heft Attorneys at Law	Legal Services	8/31/15	1 x 5 yrs	13,162	6.2%	$ 355,374	$ 27.00	5.3%
Arthur L. Gruen M.D.	Medical Services	3/31/12	1 x 5 yrs	13,075	6.2	486,390	37.20	7.3
Zenith Insurance Company	Insurance	5/31/11	1 x 5 yrs	9,740	4.6	388,071	39.84	5.8
Taiyo Yuden (USA), Inc.	General Office	4/30/14	2 x 5 yrs	9,698	4.6	358,611	36.98	5.4
Leavitt Group Agency of San Diego, Inc.	Insurance	3/31/13	2 x 5 yrs	9,072	4.3	278,299	30.68	4.2
Top 5 Total				**54,747**	**25.8%**	**$1,866,745**	**$ 34.10**	**28.0%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Solana Beach Corporate Centre Lease Expirations

The following table sets forth the lease expirations for leases in place at the Solana Beach Corporate Centre as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[1]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[2]
Available	—	24,097	11.4%	—	—	—
2010	10	41,523	19.6	$1,610,333	24.2%	$ 38.78
2011	12	34,748	16.4	1,287,727	19.3	37.06
2012	13	47,764	22.6	1,708,483	25.6	35.77
2013	7	25,926	12.2	848,177	12.7	32.72
2014	3	13,929	6.6	483,366	7.3	34.70
2015	3	19,899	9.4	596,093	8.9	29.96
2016	1	3,910	1.8	131,376	2.0	33.60
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average	**49**	**211,796**	**100.0%**	**$6,665,555**	**100.0%**	**$ 35.51**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Solana Beach Corporate Centre Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for the Solana Beach Corporate Centre as of the dates indicated below:

Date	Percentage Leased[1][2]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
June 30, 2010	88.6%	$ 35.51	$ 33.86
December 31, 2009	88.7	35.31	34.96
December 31, 2008	93.1	34.94	35.08
December 31, 2007	92.0	33.40	30.55
December 31, 2006	68.4	32.33	31.29
December 31, 2005	55.0	26.68	25.29

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed three leases at Solana Beach Corporate Centre for an aggregate of 9,103 net rentable square feet and an aggregate annualized base rent of $168,608, which commenced subsequent to June 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Solana Beach Corporate Centre will be subject to a $49.3 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Solana Beach Corporate Centre is $10.043 per $1,000 of assessed value. The total annual tax for Solana Beach Corporate Centre at this rate for the tax year ended June 30, 2010 was $453,622 (at a taxable assessed value of $37.1 million). In addition, there was $81,385 in various direct assessments imposed on Solana Beach Corporate Centre by the City of Solana Beach and County of San Diego for the tax year ended June 30, 2010.

Valencia Corporate Center

Valencia Corporate Center is an approximately 194,000 rentable square foot office complex consisting of three buildings located just off the Golden State Freeway in the rapidly developing Santa Clarita Valley of Los Angeles County. The entire complex was approximately 76.9% leased as of June 30, 2010. Two buildings, which were constructed in 1999, were approximately 83.9% leased as of June 30, 2010. The most recently constructed building, which was completed in 2007, offers lease-up potential and was approximately 57.2% leased as of June 30, 2010. We believe that this property's high quality construction will attract new tenants in the Valencia submarket, while maintaining cash flow from the existing tenant base. Major tenants include Insurance Company of the West, the Los Angeles Department of Children and Family Services and Psomas.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Valencia Corporate Center.

Valencia Corporate Center Tenants

The following table summarizes information regarding the primary tenants of the Valencia Corporate Center as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Insurance Company of the West[3]	Insurance	6/30/19	2 x 5 yrs	54,214	27.9%	$1,556,071	$ 28.70	36.7%
Los Angeles Department of Children and Family Services	Services	5/20/12	2 x 5 yrs	32,743	16.9	719,036	21.96	17.0
Psomas	Engineering	11/30/17	1 x 5 yrs	15,312	7.9	506,828	33.10	12.0
North LA County Regional Center	Non-profit Services	7/31/13	1 x 5 yrs	10,743	5.5	318,680	29.66	7.5
Creativa Associates Financial and Insurance Services, Inc.	Insurance	3/31/13	1 x 5 yrs	6,843	3.5	216,177	31.59	5.1
Top 5 Total				**119,855**	**61.7%**	**$3,316,793**	**$ 27.67**	**78.3%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) Insurance Company of the West was founded by, and is indirectly controlled by, Mr. Rady, who currently serves as the chairman of its board of directors. Insurance Company of the West has two leases at Valencia Corporate Center, one for 43,956 square feet expiring June 30, 2019 and one for 10,258 square feet that is month-to-month.

Valencia Corporate Center Lease Expirations

The following table sets forth the lease expirations for leases in place at the Valencia Corporate Center as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[1]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[2]
Available	—	44,939	23.1%	—	—	—
2010	3	16,267	8.4	$ 359,751	8.5%	$ 22.11
2011	—	—	—	—	—	—
2012	2	34,202	17.6	761,620	18.0	22.27
2013	4	25,581	13.2	775,853	18.3	30.33
2014	3	14,047	7.2	462,703	10.9	32.94
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	1	15,312	7.9	506,828	12.0	33.10
2018	—	—	—	—	—	—
2019	1	43,956	22.6	1,371,427	32.4	31.20
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**14**	**194,304**	**100.0%**	**$4,238,162**	**100.0%**	**$ 28.37**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Valencia Corporate Center Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for the Valencia Corporate Center as of the dates indicated below:

Date	Percentage Leased[1][2]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
June 30, 2010	75.1%	$ 28.37	$ 29.38
December 31, 2009	69.8	28.87	29.55
December 31, 2008	79.4	26.51	23.48
December 31, 2007	76.0	26.20	20.65
December 31, 2006	100.0	25.28	21.33
December 31, 2005	97.0	23.64	19.86

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed a lease at Valencia Corporate Center for 2,223 net rentable square feet and annualized base rent of $97,096, which commenced subsequent to June 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for Valencia Corporate Center is $11.6118 per $1,000 of assessed value. The total annual tax for Valencia Corporate Center at this rate for the tax year ended June 30, 2010 was $364,703 (at a taxable assessed value of $25.6 million). In addition, there was $67,644 in various direct assessments imposed on Valencia Corporate Center by the City of Santa Clarita and County of Los Angeles for the 2009 tax year.

Northern California

160 King Street

160 King Street is a nine story, high quality office building in the South of Market, or SOMA, submarket of San Francisco, California. Built in 2002, the building contains approximately 168,000 rentable square feet and a five-level structured parking garage that offers 376 reserved and public spaces on-site. The property is located directly across the street from AT&T Park, home of the San Francisco Giants, and is close to the city's financial district and the Moscone Convention Center. It is easily accessible by both public transportation and Highway 280 to residents throughout the San Francisco Peninsula and East Bay areas. The SOMA submarket historically has had a high concentration of technology and Internet-related tenants. As investments in technology-related businesses continue to increase, we believe that 160 King Street will attract many of these companies, enlarging and diversifying the potential tenant base for this property beyond more traditional knowledge-based tenants such as law firms and medical groups.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of 160 King Street.

160 King Street Primary Tenants

The following table summarizes information regarding the primary tenants of 160 King Street as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
DLA Piper[3]	Legal Services	2/28/12	1 x 5 yrs	69,656	41.5%	$3,234,661	$ 46.44	59.4%
Brown & Toland	Medical Services	7/31/17	1 x 5 yrs	53,147	31.6	1,403,717	26.41	25.8
Liebert Cassidy Whitmore	Legal Services	2/28/15	1 x 5 yrs	11,162	6.6	401,832	36.00	7.4
Ligne Roset San Francisco	Interior Design	7/31/12	1 x 5 yrs	6,646	4.0	186,686	28.09	3.4
KlingStubbins	Architecture	10/31/10	1 x 5 yrs	3,184	1.9	99,054	31.11	1.8
Top 5 Total				**143,795**	**85.6%**	**$5,325,951**	**$ 37.04**	**97.9%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) DLA Piper has leased two floors of 160 King Street. DLA Piper has vacated this space in conjunction with its relocation to a new office building but will continue to pay rent on this space until the lease expires in February 2012. As part of DLA Piper's relocation, the manager of DLA Piper's new building is responsible for subleasing DLA Piper's vacated space in 160 King Street. As of July 31, 2010, 28,175 square feet, 28,788 square feet and 3,570 square feet of DLA Piper's vacated space has been subleased to Pier 38 Maritime Business, Greenberg Traurig, LLP and Capsilon Corporation, respectively, and the remainder remains available. We will continue to collect rent from DLA Piper through February 2012 regardless of whether the remaining space is subleased.

160 King Street Lease Expirations

The following table sets forth the lease expirations for leases in place at 160 King Street as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[1]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[2]
Available	—	19,987	11.9%	—	—	—
2010	1	3,184	1.9	$ 99,054	1.8%	$ 31.11
2011	—	—	—	—	—	—
2012	5	80,505	47.9	3,538,006	65.0	43.95
2013	—	—	—	—	—	—
2014	—	—	—	—	—	—
2015	1	11,162	6.6	401,832	7.4	36.00
2016	—	—	—	—	—	—
2017	1	53,147	31.6	1,403,717	25.8	26.41
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average	**8**	**167,985**	**100.0%**	**$5,442,602**	**100.0%**	**$ 36.77**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

160 King Street Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for 160 King Street as of the dates indicated below:

Date	Percentage Leased[1][2]	Annualized Base Rent per Leased Square Foot[3]	Average Net Effective Annual Base Rent per Leased Square Foot[4]
June 30, 2010	88.1%	$ 36.77	$ 37.54
December 31, 2009	96.2	35.45	34.77
December 31, 2008	96.2	35.04	34.67
December 31, 2007	100.0	33.25	33.22
December 31, 2006	100.0	31.45	40.36
December 31, 2005	98.5	28.66	36.93

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed one lease at 160 King Street for 7,385 net rentable square feet and annualized base rent of $310,184, which commenced subsequent to June 30, 2010. Assuming inclusion of this lease, percentage leased would be 92.5%.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for 160 King Street is $11.59 per $1,000 of assessed value. The total annual tax for 160 King Street at this rate for the tax year ended June 30, 2010 was $865,782 (at a taxable assessed value of $74.7 million). In addition, there was $236 in various direct assessments imposed on 160 King Street by the City of San Francisco and County of San Francisco for the tax year ended June 30, 2010.

The Landmark at One Market

The Landmark at One Market is an 11-story, steel-framed, historic high quality office building located in San Francisco, California. The property has approximately 422,000 rentable square feet consisting of the Landmark office building, including approximately 44,220 rentable square feet of space located in an adjacent six-story leasehold known as the Annex, which we lease as lessee. We currently have a long-term master lease on the Annex with the master lessor, Paramount Group, effective through June 30, 2011, which we have the option to extend until 2026 by way of three five-year extension options. Subsequent to June 30, 2010, we exercised a renewal option for a renewal term of July 1, 2011 through June 30, 2016. Monthly lease payments during this renewal term will be the greater of current payments or 97.5% of the prevailing rate at the start of the renewal term. Currently, minimum annual payments under the lease are $1,403,000. The property is located across the street from the Embarcadero Centre and the historic Ferry Building at the corner of Market Street and Steuart Street in the core of San Francisco's Financial District. This location provides access to numerous tenant amenities, a developed transportation infrastructure and diverse cultural attractions. The Landmark at One Market is also the only building in San Francisco with panoramic views of the San Francisco Bay and both California and Market streets. The building, which was originally built in 1917 and served as the headquarters of the Southern Pacific Railroad until 1998, received a complete seismic retrofit and renovation in 2000. We believe The Landmark at One Market occupies a premier location in San Francisco's Financial District and will continue to command market leading rents from premier Bay Area tenants.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of The Landmark at One Market.

The Landmark at One Market Primary Tenants

The following table summarizes information regarding the primary tenants of The Landmark at One Market as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet[1]	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[2]	Annualized Base Rent per Leased Square Foot[3]	Percentage of Property Annualized Base Rent
salesforce.com[4]	Business Solutions	4/30/20 6/30/19	2 x 5 yrs	125,663	29.8%	$ 7,411,917	$ 58.98	34.5%
Del Monte Corporation[4]	Brand Management	12/18/10	2 x 5 yrs	101,229	24.0	5,456,239	53.90	25.4
Autodesk[5]	Software	12/31/15 12/31/17	1 x 3 yrs 1 x 4 yrs 1 x 6 yrs	46,170	10.9	2,202,706	47.71	10.2
Microsoft Corporation[5]	Software	12/31/12	—	45,795	10.9	2,885,085	63.00	13.4
Simpson Gumpertz & Heger	Architecture	10/31/13	—	27,226	6.5	782,322	28.73	3.6
Top 5 Total				**346,083**	**82.1%**	**$18,738,268**	**$ 54.14**	**87.1%**

(1) Total leased square feet includes approximately 44,220 rentable square feet of space leased to us under the master lease with Paramount Group.

(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(4) Del Monte Corporation announced that it will vacate its 101,229 square feet of office space at The Landmark at One Market when its lease expires in December 2010. Salesforce.com, which currently leases 125,653 square feet of office space of this property, has signed a lease to expand into the entire space to be vacated by Del Monte Corporation. Pursuant to the terms of this lease, which commences in June 2011 and has an initial term of ten years, salesforce.com will receive one year of free rent. Total abatements under the new lease are $4,276,899, including $356,408 for the month of June 2011.
(5) Autodesk has entered into leases to expand into the approximately 69,000 square feet of space currently leased by Microsoft and Evelyn & Walter Haas Jr. Fund. Since December 2007, Autodesk has subleased 45,795 square feet of space leased to Microsoft at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over Microsoft's entire 45,795 square feet of space upon the termination of Microsoft's lease in December 2012. In addition, Autodesk is currently subleasing 5,334 square feet of space leased to Evelyn & Walter Haas Jr. Fund, or the Haas Fund, at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over the Haas Fund's entire 22,699 square feet of space upon the termination of the Haas Fund's lease in January 2011.

The Landmark at One Market Lease Expirations

The following table sets forth the lease expirations for leases in place at The Landmark at One Market as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases[1]	Percentage of Property Net Rentable Square Feet[1]	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	—	—	—	—	—
2010	4	102,932	24.4%	$ 5,456,239	25.4%	$ 53.01
2011	2	23,369	5.5	1,339,342	6.2	57.31
2012	2	45,795	10.9	2,885,085	13.4	63.00
2013	4	49,698	11.8	1,697,932	7.9	34.16
2014	—	—	—	—	—	—
2015	2	46,170	10.9	2,202,706	10.2	47.71
2016	—	—	—	—	—	—
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	1	6,211	1.5	392,411	1.8	63.18
Thereafter	3	147,759	35.0	7,530,681	35.0	50.97
Total/Weighted Average:	**18**	**421,934**	**100.0%**	**$21,504,396**	**100.0%**	**$ 50.97**

(1) Amount includes approximately 44,220 rentable square feet of space leased to us under the master lease with Paramount Group, which we have subsequently subleased to tenants. Amounts are included for the years in which the leases with such tenants expire.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

The Landmark at One Market Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for The Landmark at One Market as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	100.0%	$ 50.97	$ 48.74
December 31, 2009	100.0	50.71	49.28
December 31, 2008	100.0	50.11	49.27
December 31, 2007	100.0	49.24	49.04
December 31, 2006	90.0	54.44	54.48
December 31, 2005	99.0	56.17	47.94

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, The Landmark at One Market will be subject to a $133 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for The Landmark at One Market is $11.59 per $1,000 of assessed value. The total annual tax for The Landmark at One Market at this rate for the tax year ended June 30, 2010 was $2,407,249 (at a taxable assessed value of $207.7 million). In addition, there was $236 in various direct assessments imposed on The Landmark at One Market by the City of San Francisco and County of San Francisco for the tax year ended June 30, 2010.

Future Office Development

In addition to the properties discussed above, upon completion of this offering and consummation of the formation transactions, we will own two parcels of undeveloped land located in San Diego, California, collectively referred to as Sorrento Pointe, totaling approximately 14 acres. On March 8, 1998, we submitted to the City of San Diego a proposed development plan for Sorrento Pointe, which contemplates a two building, 79,053 square foot office project. If we obtain the entitlements, subject to future market conditions, we may decide to develop the property based on such entitlements. We expect that such development would cost approximately $30.3 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Currently, we lease portions of Sorrento Pointe to certain cellular providers to host cellular telecommunications installations. We receive $17,600 per month in aggregate rent under these leases. These cellular telecommunications installations will be incorporated into any future development of the property. The Sorrento Pointe land also contains a billboard that we expect to remove upon commencement of any development.

Mixed-Use Portfolio

Our mixed-use portfolio includes a mixed-use property comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel. As of June 30, 2010, the retail portion of our mixed-use property was approximately 96.5% leased to 49 tenants. As of June 30, 2010 the weighted average remaining lease term for the retail portion of our mixed-use portfolio was 79.5 months. In addition, for the 12 months ended June 30, 2010, the average occupancy at the hotel portion of our mixed-use property was approximately 83.6%. Our mixed-use property is located in Honolulu, Hawaii.

Oahu, Hawaii

Waikiki Beach Walk

Waikiki Beach Walk is a mixed-use retail and hotel property in Honolulu, Hawaii, located just steps from the destination beaches of Waikiki, as well as the upscale offerings of Kalakaua Street. It contains approximately 97,000 rentable square feet of restaurant and retail space, for which construction was completed in 2008, and is conveniently located at the base of our 369-room Embassy Suites™ hotel, which was redeveloped and reconfigured as an all-suite hotel in 2007, and is managed by Outrigger Hotels & Resorts, or Outrigger. The 97,000 rentable square feet of restaurant and retail space includes approximately 3,000 rentable square feet that we lease from First Hawaiian Bank pursuant to a sublease, effective through December 31, 2021. Among the more than 40 retailers and restaurants at Waikiki Beach Walk, major tenants include Yard House Waikiki, LLC d/b/a Yard House Restaurant, QS Retail, Inc. d/b/a Quicksilver, Beachwalk Steak House, LLC d/b/a Ruth's Chris Steak House and Roy's Waikiki. At the hotel portion of this property, for the twelve month period ended June 30, 2010, we achieved an average occupancy of 83.6%, an average daily rate of $221.97, revenue per available room of $185.46 and total revenue of $25.5 million.

By providing centralized and convenient dining, shopping and lodging options for tourists, this property benefits from the synergies and competitive advantages created by a mixed-use property. For example the hotel consistently outperforms in its upscale and upper upscale peer groups for the local market. Further, because the property is at the heart of a tourist destination, local traffic accounts for a considerable portion of sales across most of our restaurants and shops.

Under our retail management agreement with Outrigger, we pay Outrigger a monthly management fee of 3% of net revenues from the retail property. Pursuant to the terms of the retail management agreement, if the agreement is terminated in certain instances, including our election not to repair damage or destruction at the property, a condemnation or our failure to make required working capital infusions, we will be obligated to pay Outrigger a termination fee equal to the sum of the management fees paid for the two calendar months immediately preceding the termination date. The retail management agreement may not be terminated by us or by Outrigger without cause.

Under our hotel management agreement with Outrigger, we pay Outrigger a monthly management fee of 6.0% of the hotel's gross operating profit, as well as 3.0% of the hotel's gross revenues to cover the monthly franchise royalty fee payable to the franchisor of the brand under which this hotel operates; provided that the aggregate management fee for any year shall not exceed 3.5% of the hotel's gross revenues for such fiscal year. Pursuant to the terms of the hotel management agreement, if the agreement is terminated in certain instances, including upon a transfer by us of the hotel or upon a default by us under the hotel management agreement, we will be required to pay a cancellation fee calculated by multiplying (1) the management fees for the previous 12 months by (2) (A) eight, if the agreement is terminated in the first 11 years, or (B) four, three, two or one, if the agreement is terminated in the twelfth, thirteenth, fourteenth or fifteenth year, respectively, of the term of the agreement. We may not terminate the hotel management agreement without cause.

Under the franchise license agreement between Outrigger and Promus Hotels, Inc., the franchisor of the brand "Embassy Suites™," Outrigger obtained the non-exclusive right to operate the hotel under the Embassy Suites brand for 15 years. The franchise license agreement provides that Outrigger must comply with certain

management, operational, record keeping, accounting, reporting and marketing standards and procedures. In addition, Outrigger must pay a monthly franchise royalty fee equal to 4.0% of the hotel's gross room revenue and a program fee equal to 4.0% of the hotel's gross room revenue. The franchisor has a right of first offer to purchase the hotel if we propose to sell all or a portion of the hotel. In the event that we choose to dispose of the hotel, we would be required to notify the franchisor, prior to offering the hotel to any other potential buyer, of the price and conditions on which we would be willing to sell the hotel, and the franchisor would have the right, within 60 days of receiving such notice, to make an offer to purchase the hotel. If the franchisor makes an offer to purchase that is equal to or greater than the price and on substantially the same terms set forth in our notice, then we will be obligated to sell the hotel to the franchisor at that price and on those terms. The franchisor has waived its right of first offer with respect to a transfer pursuant to the proposed formation transactions. The franchisor may terminate the franchise license agreement at its option upon the occurrence of certain events including: Outrigger's failure to pay royalties and fees or comply with other covenants included in the franchise license agreement; bankruptcy; abandonment of the franchise; commission of a felony; or assignment of the franchise agreement without the consent of the franchisor.

Pursuant to a letter agreement dated September 6, 2010, we have agreed, provided that this offering is consummated, to: (1) use our best efforts to obtain the release of Outrigger from its guarantee with respect to a $130.3 million mortgage loan related to Waikiki Beach Walk—Retail that will remain outstanding after this offering, provided that, if the lender of such loan does not agree to such a release, we will use our best efforts to cause the lender to agree to look to us or the operating partnership for primary recourse under such guarantee prior to looking to Outrigger for any recourse under such guarantee and we or the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs as a secondary guarantor of such loan, provided further that, if neither of the foregoing proposals are accepted by such lender, then we and the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs under such guarantee; (2) assume the indemnification obligation which American Assets, Inc. had with respect to Outrigger with regarding any adverse tax consequences arising from the formation of the Waikiki Beach Walk—Embassy Suites™ tenancy in common; and (3) along with the operating partnership, waive and relinquish all rights and benefits afforded to us or the operating partnership, other than pursuant to documents entered into pursuant to the formation transactions to which certain affiliates of Outrigger are a party, for claims against Outrigger and/or its affiliates, for actions or omissions by Outrigger and/or its affiliates taken prior to the completion of the formation transactions.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Waikiki Beach Walk.

Waikiki Beach Walk—Retail Demographics

The following table has been derived from the market study prepared for us by RCG:

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Hawaii	United States
Population					
2010 Estimate	44,896	173,966	264,609	1,300,985	309,038,974
2015 Projection	45,469	175,657	265,394	1,335,889	321,675,005
Estimated Growth 2010-2015	1.3%	1.0%	0.3%	2.7%	4.1%
Households					
2010 Estimate	23,722	79,961	110,727	444,202	116,136,617
2015 Projection	24,039	81,411	112,189	460,493	120,947,177
Estimated Growth 2010-2015	1.3%	1.8%	1.3%	3.7%	4.1%
2010 Estimated Average Household Income	$57,067	$ 70,098	$ 75,938	$ 85,525	$ 71,071
2010 Estimated Median Household Income	$43,768	$ 49,432	$ 52,484	$ 66,754	$ 52,795

Source: Census, Claritas, Nielson Company

Waikiki Beach Walk—Retail Primary Tenants

The following table summarizes information regarding the primary tenants of the Waikiki Beach Walk—Retail as of June 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Yardhouse Restaurant	Restaurant	2/28/20	2 x 5 yrs	11,558	12.0%	$ 369,902	$ 32.00	3.9%
Roy's	Restaurant	1/31/22	—	10,229	10.6	442,448	43.25	4.7
Ruth's Chris Steak House	Restaurant	2/28/19	2 x 5 yrs	6,288	6.5	251,268	39.96	2.7
Quicksilver	Apparel	12/31/15	6 x 1 yr	6,214	6.4	1,528,644	246.00	16.3
G.P. Lewers, LLC d/b/a/ Giovanni's Pastrami			1 x 3 yrs					
	Restaurant	1/31/17	1 x 4 yrs	5,402	5.6	337,110	62.40	3.6
Top 5 Total				**39,691**	**41.1%**	**$2,929,372**	**$ 73.80**	**31.2%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.

Waikiki Beach Walk—Retail Lease Expirations

The following table sets forth the lease expirations for leases in place at Waikiki Beach Walk – Retail as of June 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	3,354	3.5%	—	—	—
2010	3	5,300	5.5	$ 377,068	4.0%	$ 71.14
2011	2	790	0.8	164,774	1.8	208.58
2012	4	6,184	6.4	986,701	10.5	159.56
2013	7	6,456	6.7	954,600	10.2	147.86
2014	2	1,959	2.0	222,135	2.4	113.39
2015	2	12,697	13.1	1,912,891	20.3	150.66
2016	5	10,191	10.6	1,721,086	18.3	168.88
2017	4	11,452	11.9	1,030,744	11.0	90.01
2018	2	4,673	4.8	617,910	6.6	132.23
2019	1	6,288	6.5	251,268	2.7	39.96
Thereafter	4	27,225	28.2	1,161,042	12.4	42.65
Total/Weighted Average:	**36**	**96,569**	**100%**	**$9,400,219**	**100.0%**	**$ 100.84**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended June 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Waikiki Beach Walk—Retail Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Waikiki Beach Walk – Retail as of the dates indicated below:

Date	Percentage Leased[1]	Annualized Base Rent per Leased Square Foot[2]	Average Net Effective Annual Base Rent per Leased Square Foot[3]
June 30, 2010	96.5%	$ 100.84	$ 99.75
December 31, 2009	97.4	99.77	105.10
December 31, 2008	98.7	107.80	113.36
December 31, 2007	98.0	81.46	92.93
December 31, 2006	90.9	160.71	179.52

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(3) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Waikiki Beach Walk—Retail will be subject to a $130.3 million mortgage loan, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering.”

The current real estate tax rate for Waikiki Beach Walk is $12.40 per $1,000 of assessed value. The total annual tax for Waikiki Beach Walk at this rate for the tax year ended June 30, 2010 was $772,847 (at a taxable assessed value of $62.3 million). In addition, there was $9,556 in various direct assessments imposed on Waikiki Beach Walk by the City of Honolulu and County of Honolulu for the tax year ended December 31, 2009.

Historical Mixed-Use Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs per square foot for tenants at the retail portion of our mixed-use property for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010:

	Year Ended December 31,			Six Months Ended June 30, 2010	Weighted Average January 1, 2010 to June 30, 2010
	2007	2008	2009		
Expirations					
Number of leases expired during applicable period	1	3	4	3	3
Aggregate net rentable square footage of expiring leases	522	6,936	3,380	2,836	3,502
Renewals					
Number of leases/renewals….	—	—	1	—	—
Square Feet….	—	—	959	—	274
Tenant improvement costs[1]	$ —	$ —	$100,005	$ —	$ 8,164
Leasing commission costs[1]	—	—	—	—	—
Total tenant improvement and leasing commission costs[1]	$ —	$ —	$100,005	$ —	$ 8,164
Tenant improvement costs per square foot[1]	$ —	$ —	$ 104.28	$ —	$ 29.79
Leasing commission costs per square foot[1]	—	—	—	—	—
Total tenant improvement and leasing commission costs per square foot[1]	$ —	$ —	$ 104.28	$ —	$ 29.79
New Leases					
Number of leases….	4	4	5	2	4
Square Feet….	3,080	7,366	2,920	1,925	4,094
Tenant improvement costs[1]	$131,762	$ —	$ —	$ —	$ 50,039
Leasing commission costs[1]	13,614	86,182	25,024	—	28,879
Total tenant improvement and leasing commission costs[1]	$145,376	$86,182	$ 25,024	$ —	$ 78,918
Tenant improvement costs per square foot[1]	$ 42.78	$ —	$ —	$ —	$ 12.22
Leasing commission costs per square foot[1]	4.42	11.70	8.57	—	7.05
Total tenant improvement and leasing commission costs per square foot[1]	$ 47.20	$ 11.70	$ 8.57	$ —	$ 19.27
Total					
Number of leases….	4	4	6	2	4
Square Feet….	3,080	7,366	3,879	1,925	4,368
Tenant improvement costs[1]	$131,762	$ —	$404,502	$ —	$183,525
Leasing commission costs[1]	13,614	86,182	33,243	—	30,812
Total tenant improvement and leasing commission costs[1]	$145,376	$86,182	$437,745	$ —	$214,337
Tenant improvement costs per square foot[1]	$ 42.78	$ —	$ 104.28	$ —	$ 42.02
Leasing commission costs per square foot[1]	4.42	11.70	8.57	—	7.05
Total tenant improvement and leasing commission costs per square foot[1]	$ 47.20	$ 11.70	$ 112,85	$ —	$ 49.07

(1) Assumes all tenant improvement and leasing commissions are paid in the calendar year in which the lease commences, which may be different than the year in which they were actually paid.

Multifamily Portfolio

Our multifamily portfolio consists of four multifamily properties comprising an aggregate of 922 units (including 122 RV spaces). As of June 30, 2010, our multifamily properties were approximately 93.2% leased. All of our multifamily properties are located in costal submarkets in San Diego, California. Our multifamily leases, other than at our RV resort, generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms. Spaces at the RV resort can be rented at a daily, weekly or monthly rate.

Property	Location	Year Built/Renovated	Number of Buildings	Units[1]	Percentage Leased[2]	Annualized Base Rent[3]	Average Monthly Base Rent per Leased Unit[4]
Multifamily Properties							
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	93.4%	$ 9,573,349	$ 1,561
Imperial Beach Gardens	Imperial Beach, CA	1959/2008-present	26	160	99.4	2,584,020	1,358
Mariner's Point	Imperial Beach, CA	1986	8	88	97.7	1,140,795	1,101
Santa Fe Park RV Resort[5]	San Diego, CA	1971/2007-2008	1	126	81.0	975,528	653
Total/Weighted Average			**115**	**922**	**93.2%**	**$14,273,692**	**$ 1,358**

(1) Units represent the total number of units available for rent at June 30, 2010.
(2) Percentage leased is calculated as (i) total units rented as of June 30, 2010, divided by (ii) total units available, expressed as a percentage.
(3) Annualized base rent is calculated by multiplying (i) base rental payments for the month ended June 30, 2010, by (ii) 12. Total abatements for leases in effect as of June 30, 2010 for our multifamily portfolio will equal approximately $328,251 for the 12 months ending December 31, 2010.
(4) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended June 30, 2010.
(5) The Santa Fe Park RV Resort is subject to seasonal variation with higher rates of occupancy occurring during the summer months. During the year ended December 31, 2010, the highest average monthly occupancy rate for this property was 100%, occurring in July 2009, and the lowest average monthly occupancy rate for this property was 60.0%, occurring in April 2009. For the twelve month period ended June 30, 2010, the total base rent for this property was $848,913. The number of units at the Santa Fe Park RV Resort includes 122 units and four apartments.

Description of our Multifamily Properties

Each of the following four multifamily properties will account for less than 10% of our total assets, based on book value, and less than 10% of our gross revenues as of, and for the year ended December 31, 2009.

Southern California

Loma Palisades

Loma Palisades is a high quality multifamily community comprised of 548 units consisting of single level, ranch-style and townhome-style two and three bedroom apartments. Centrally-located in San Diego's Point Loma community, the property offers apartments with balcony views, private garden patios and garage parking. Loma Palisades enjoys convenient access to all major San Diego freeways, the San Diego Airport and is approximately ten minutes to Downtown San Diego. The property was built in 1958 and over 91% of units received significant renovations during 2001-2008. Amenities, including eight swimming pools, two children's pools, a spa, a fully equipped fitness center, a half-court basketball court, sand volleyball court and 513 parking spaces, drive strong occupancy of 93.4% for the property. For the six months ended June 30, 2010, Loma Palisades had an average monthly base rent per leased unit of $1,561.

Other than certain roof repairs, which we expect to cost approximately $250,000 and recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Loma Palisades. These anticipated capital expenditures will be funded with cash on hand.

Loma Palisades Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Loma Palisades as of the dates indicated below:

Date	Percentage Leased[1]	Average Monthly Base Rent per Leased Unit[2]
June 30, 2010	93.4%	$ 1,561
December 31, 2009	97.0	1,583
December 31, 2008	98.0	1,565
December 31, 2007	98.1	1,440
December 31, 2006	97.8	1,393
December 31, 2005	96.7	1,369

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Upon completion of this offering and the consummation of the formation transactions, Loma Palisades will be subject to a $73.7 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Loma Palisades is $11.0195 per $1,000 of assessed value. The total annual tax for Loma Palisades at this rate for the tax year ended June 30, 2010 was $471,806, (at a taxable assessed value of $42.6 million). In addition, there was $2,664 in various direct assessments imposed on Loma Palisades by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Imperial Beach Gardens

Imperial Beach Gardens is a high quality multifamily property containing 160 units consisting of spacious two and three bedroom townhouse apartments. Originally built in 1959, the property enjoys a small town feel while being conveniently located approximately 15 minutes from metropolitan San Diego. Residents of the townhouse-style homes benefit from a neighboring wildlife preserve, a lagoon and the Pacific Ocean. In addition to convenient access to the I-5, I-805 and San Diego Trolley, Imperial Beach Gardens is within two blocks of the beach and the Imperial Beach fishing pier. Kitchen and bathroom renovations in 2008 and 2009 contribute to Imperial Beach Gardens' 99.4% occupancy as of June 30, 2010. Amenities for the property include two swimming pools, 160 covered carports with storage, a fitness center and "Smart Card" laundry facilities. Imperial Beach Gardens is competitively priced and located to serve San Diego's naval demographic with many of its units leased to U.S. Navy personnel. As of June 30, 2010, the average base leased rental rate was $1,358 per unit.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Imperial Beach Gardens.

Imperial Beach Gardens Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Imperial Beach Gardens as of the dates indicated below:

Date	Percentage Leased[1]	Average Monthly Base Rent per Leased Unit[2]
June 30, 2010	99.4%	$ 1,358
December 31, 2009	97.6	1,366
December 31, 2008	99.1	1,347
December 31, 2007	98.2	1,311
December 31, 2006	96.5	1,284
December 31, 2005	93.8	1,247

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Upon completion of this offering and the consummation of the formation transactions, Imperial Beach Gardens will be subject to a $20.0 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Imperial Beach Gardens is $11.3646 per $1,000 of assessed value. The total annual tax for Imperial Beach Gardens at this rate for the tax year ended June 30, 2010 was $128,973 (at a taxable assessed value of $9.7 million). In addition, there was $19,061 in various direct assessments imposed on Imperial Beach Gardens by the City of Imperial Beach and County of San Diego for the tax year ended June 30, 2010.

Mariner's Point

Mariner's Point is the neighboring property to Imperial Beach Gardens and contains 88 one and two bedroom units. Located within three blocks of the Pacific Ocean, the community offers residents convenient beach access as well as views of the nearby wildlife reserve. Built in 1986, Mariner's Point is conveniently located near I-5 and I-805, offering easy commutes to downtown San Diego, Coronado and nearby Naval facilities. Amenities include a dedicated spa and swimming pool and a fitness center. The property contains 128 dedicated parking spaces. As of June 30, 2010, Mariner's Point was 97.7% occupied and had an average base rental rate of $1,101.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Mariner's Point.

Mariner's Point Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Mariner's Point as of the dates indicated below:

Date	Percentage Leased[1]	Average Monthly Base Rent per Leased Unit[2]
June 30, 2010	97.7%	$ 1,101
December 31, 2009	97.1	1,099
December 31, 2008	99.1	1,094
December 31, 2007	98.8	1,077
December 31, 2006	99.3	1,054
December 31, 2005	98.4	1,020

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Upon completion of this offering and the consummation of the formation transactions, Mariner's Point will be subject to a $7.7 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Mariner's Point is $11.3646 per $1,000 of assessed value. The total annual tax for Mariner's Point at this rate for the tax year ended June 30, 2010 was $116,035 (at a taxable assessed value of $8.5 million). In addition, there was $19,619 in various direct assessments imposed on Mariner's Point by the City of Imperial Beach and County of San Diego for the tax year June 30, 2010.

Santa Fe Park RV Resort

The Santa Fe Park RV Resort offers 122 RV spaces and four apartment units, conveniently located directly off the I-5. Designed for comfort and convenience, the resort offers spaces by the day, by the week, by the month, or longer. The Santa Fe Park RV Resort offers both locals and tourists looking to enjoy San Diego's mild, year-round climate the chance to take up temporary residence with a complete list of amenities. Full-hook up spaces with pads include free Satellite TV, free Wi-Fi, spa and swimming pool, a fully equipped fitness center and a mini theater. Developed in 1971 and renovated from 2007-2008, the Santa Fe Park RV Resort experiences strong occupancy. As of June 30, 2010, the Santa Fe Park RV Resort had an average monthly base rental rate of $653. As of June 30, 2010, the Santa Fe Park RV Resort was 81.0% occupied. Occupancy and rental rates at Santa Fe Park RV Resort are subject to seasonal variations as a result of its use by tourists visiting the San Diego area. Accordingly, occupancies and rents at Santa Fe Park RV Resort tend to peak in the summer months—the height of San Diego's tourist season—and again in the winter months, when many tourists visit the San Diego area to enjoy its mild year-round climate.

Santa Fe Park RV Resort Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Santa Fe Park RV Resort as of the dates indicated below:

Date	Percentage Leased[1]	Average Monthly Base Rent per Leased Unit[2]
June 30, 2010	81.0%	$ 653
December 31, 2009	76.7	544
December 31, 2008	80.8	571
December 31, 2007	81.4	563
December 31, 2006	84.7	566
December 31, 2005	84.4	547

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of the Santa Fe Park RV Resort.

The current real estate tax rate for Santa Fe Park RV Resort is $11.0195 per $1,000 of assessed value. The total annual tax for Santa Fe Park RV Resort at this rate for the tax year ended June 30, 2010 was $27,181 (at a taxable assessed value of $2.5 million). In addition, there was $174 in various direct assessments imposed on Santa Fe Park RV Resort by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Depreciation

The following table sets forth for each property that comprised 10% or more of our total consolidated assets as of December 31, 2009 or that had gross revenues that amounted to 10% or more of our consolidated gross revenues for the year end December 31, 2009 and component thereof upon which depreciation is taken, the (1) federal tax basis upon completion of this offering and the formation transactions, (2) depreciation rate, (3) method, and (4) life claimed with respect to such property or component thereof for purposes of depreciation.

Property	Federal Tax Basis	Rate	Method[1][2]	Life Claimed
Waikele Center	$ 183,028,920	2.564%-9.88%	Straight-Line, Declining Balance	15-39 years
The Landmark at One Market	$ 151,660,427	2.564%-9.88%	Straight-Line, Declining Balance	15-39 years

(1) Unless otherwise noted, depreciation method and life claimed for each property and component thereof is determined by reference to the IRS-mandated method for depreciating assets placed into service after 1986, known as the Modified Accelerated Cost Recovery System.
(2) Buildings, building improvements and tenant improvements are depreciated over 39 years using the straight-line method with the mid-month convention, or straight-line. Land improvements are depreciated over 15 years using the 150% declining balance switching to straight-line method, or declining balance.

In addition, we had an aggregate of approximately $2,936,821 in additional tax basis of depreciable furniture, fixtures and equipment associated with the properties in our portfolio as of December 31, 2009. Depreciation on this furniture, fixtures and equipment is computed on the straight-line and double declining balance methods over the claimed life of such property, which is either five or seven years.

Seasonality

The hotel portion of Waikiki Beach Walk and Santa Fe Park RV Resort are seasonal in nature. The hotel portion of Waikiki Beach Walk's occupancy tends to fluctuate in conjunction with the typical school year and has higher occupancy and rates in March, April, June, July, August and December. Santa Fe Park RV Resort's occupancy rates are the highest in the months of July and August and are lowest during months of April and May. This seasonality can be expected to cause quarterly fluctuations in our revenues for these properties.

Property Revenue and Operating Expenses

Due to the geographic diversity of our portfolio, our portfolio contains full service gross, modified gross and triple net leases. In the case of modified gross leases and triple net leases, base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. In order to provide a better understanding of how these expenses impact the comparability of the leases in place at the properties comprising our portfolio, the tables below include information regarding base rent, additional property income, billed expense reimbursements and property operating expenses associated with each of the properties in our portfolio. As our properties are self-managed, property operating expenses do not include property management fees (other than with respect to our Alamo Quarry property and our mixed-use property).

Retail Portfolio

Property	Base Rent[1]	Additional Property Income[2]	Billed Expense Reimbursements[3]	Property Operating Expenses[4]
Carmel Country Plaza	$ 3,305,487	$ 122,755[5]	$ 625,248	$ (548,480)
Carmel Mountain Plaza	8,238,460	115,160	2,361,033	(2,355,479)
South Bay Market Place	2,017,145	2,316	578,371	(589,164)
Rancho Carmel Plaza	801,542	43,460	186,386	(256,925)
Lomas Santa Fe Plaza	5,147,761	29,101	808,643	(1,096,275)
Solana Beach Towne Centre	5,195,468	53,874	1,196,656	(1,076,904)
Del Monte Shopping Center	8,264,372	1,467,661[6]	3,754,496	(4,203,260)[7]
The Shops at Kalakaua	1,498,289	86,158	179,137	(290,412)
Waikele Center	16,370,190	1,224,685	4,136,830	(4,825,459)
Alamo Quarry	11,549,255	333,754	4,841,631	(6,309,205)
Subtotal Retail Portfolio	**$62,387,969**	**$3,478,924**	**$ 18,668,431**	**$(21,551,563)**

(1) Represents base rent for the 12 months ended June 30, 2010 (before abatements). Total abatements for our retail portfolio were $217,925 for the 12 months ended June 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.
(2) Represents additional property-related income for the 12 months ended June 30, 2010, which includes (i) percentage rent, (ii) other rent (such as storage rent, license fees, film shooting income and association fees) and (iii) other property income (such as late fees, default fees, lease termination fees, parking revenue and the reimbursement of general excise taxes).
(3) Represents billed tenant expense reimbursements relating to the 12 months ended June 30, 2010. Includes accrued amount to be billed of approximately $335,000 for Macy's cost reimbursements at Del Monte Center.
(4) Represents property operating expenses for the 12 months ended June 30, 2010. Property operating expenses includes all rental expenses.
(5) Includes approximately $63,852 of lease termination fees.
(6) Includes recognition of approximately $562,054 as additional property income as a result of settlement of an acquisition-related liability in 2009.
(7) Reflects the impact of a $59,448 insurance refund.

Office Portfolio

Property	Base Rent(1)	Additional Property Income(2)	Billed Expense Reimbursements(3)	Property Operating Expenses(4)
Wholly Owned				
Torrey Reserve Campus	$14,682,007	$ 272,191	$ 474,439	$ (3,247,012)
Solana Beach Corporate Centre	6,677,443	(5,014)	139,465	(1,328,251)
Valencia Corporate Center	4,023,803	12,709	34,508	(1,312,970)
160 King Street	5,653,746	1,134,316	1,199,977	(2,330,259)
The Landmark at One Market	21,447,483	106,461	1,450,345	(7,654,342)
Subtotal Office Portfolio	**$52,484,482**	**$1,520,663**	**$ 3,298,734**	**$(15,872,834)**

(1) Represents base rent for the 12 months ended June 30, 2010 (before abatements). Total abatements for our office portfolio were $188,839 for the 12 months ended June 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.
(2) Represents additional property-related income for the 12 months ended June 30, 2010, which includes (i) percentage rent, (ii) other rent (such as storage rent and license fees) and (iii) other property income.
(3) Represents billed tenant expense reimbursements relating to the 12 months ended June 30, 2010.
(4) Represents property operating expenses for the 12 months ended June 30, 2010. Property operating expenses includes all rental expenses.

Mixed-Use Portfolio

Property	Base Rent/ Actual Revenue(1)	Additional Property Income(2)	Billed Expense Reimbursements(3)	Property Operating Expenses(4)
Waikiki Beach Walk – Retail	$ 9,400,000	$ 3,218,000	$ 2,367,000	$ (5,749,005)
Waikiki Beach Walk – Embassy Suites™	24,979,154	549,832	—	(19,275,386)
Subtotal Mixed-Use Portfolio	**$ 34,388,154**	**$ 3,767,832**	**$ 2,367,000**	**$ (25,024,391)**

(1) For Waikiki Beach Walk—Retail, represents base rent for the 12 months ended June 30, 2010 (before abatements). Total abatements for Waikiki Beach Walk—Retail were zero for the 12 months ended June 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. For Waikiki Beach Walk—Embassy Suites™ , we have included the actual room revenue for the 12 months ended June 30, 2010.
(2) Represents additional property-related income for the 12 months ended June 30, 2010, which includes (i) percentage rents, (ii) other rent, and (iii) other property income.
(3) Represents billed expense reimbursements relating to the 12 months ended June 30, 2010.
(4) Represents property operating expenses for the 12 months ended June 30, 2010. Property operating expenses for Waikiki Beach Walk—Retail include all rental expenses. Property operating expenses for Waikiki Beach Walk —Embassy Suites™ includes on-site general and administrative expenses of $1.8 million for the 12 months ended June 30, 2010.

Multifamily Portfolio

Property	Base Rent (1)	Additional Property Income (2)	Billed Expense Reimbursements (3)	Property Operating Expenses (4)
Loma Palisades	$ 8,875,862	$ 708,977	$ —	($ 3,030,461)
Imperial Beach Gardens	2,402,817	196,874	—	(770,186)
Mariner’s Point	1,058,392	93,933	—	(420,658)
Santa Fe Park RV Resort	848,913	71,704	—	(471,670)
Subtotal Multifamily Portfolio	**$13,185,984**	**$1,071,188**	**$ —**	**$ (4,692,975)**

(1) Represents base rent less vacancy allowance, employee rent credits and concessions and includes additional rents (additional rents include insufficient notice penalties, month-to-month charges and pet rent) for the 12 months ended June 30, 2010 (before abatements). Total abatements for our multifamily portfolio were approximately $897,636 for the 12 months ended June 30, 2010.
(2) Represents additional property-related income for the 12 months ended June 30, 2010 (such as laundry revenue).
(3) Represents property operating expenses for the 12 months ended June 30, 2010. Property operating expenses includes all rental expenses.

Regulation

General

Our properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that each of the properties in our portfolio has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio in the aggregate substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance, and we are aware that some particular properties may currently be in non-compliance with the ADA. Noncompliance with the ADA could result in the incurrence of additional costs to attain compliance, the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under, or migrating from such property, including costs to investigate and clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines, or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties contain, have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. Similarly, some of our properties were used in the past for commercial or industrial purposes, or are currently used for commercial purposes, that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. As a result, some of our properties have been or may be impacted by contamination arising from the releases of such hazardous substances or petroleum products. Where we have deemed appropriate, we have taken steps to address identified contamination or mitigate risks associated with such contamination; however, we are unable to ensure that further actions will not be necessary. As a result of the foregoing, we could potentially incur materially liability.

We possess Phase I Environmental Site Assessments for certain of the properties in our portfolio. Other than as discussed below with respect to Del Monte Center, none of the site assessments identified any known past or present contamination that we believe would have a material adverse effect on our business, assets or operations. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations or hazardous materials survey) and may have failed to identify all environmental conditions or concerns. A prior owner or operator of a property or historic operations at our properties may have created a material environmental condition that is not known to us or the independent consultants preparing the site assessments. Material environmental conditions may have arisen after the review was completed or may arise in the future, and future laws, ordinances or regulations may impose material additional environmental liability. Furthermore, we do not have Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, therefore, may not be aware of all potential or existing environmental contamination liabilities at our properties.

A Phase I Environmental Site Assessment is a report prepared for real estate holdings that identifies potential or existing environmental contamination liabilities. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. An Environmental Site Assessment conducted in 1996 for the prior owner of Del Monte Center identified a release of dry cleaning solvent chemicals by a former tenant of Del Monte Center into a portion of the property, impacting the soil and groundwater. The primary constituent of concern is tetrachloroethylene (PCE), a chlorinated hydrocarbon. In January 1997, the prior owner entered into a fixed fee environmental services agreement with an environmental remediation consultant pursuant to which the consultant agreed to complete any necessary remediation for $3,533,000. Pursuant to the terms of the agreement, the remediation costs are paid for through an escrow that was funded by the prior owner. The California Regional Water Quality Control Board – Central Coast Region, or the RWQCB, approved the remediation plan to remove the source of dry cleaning chemicals and prevent any further contamination of the groundwater, creek and nearby habitat in accordance with the requirements of the RWQCB. In 2004, our predecessor acquired Del Monte Center and all of the prior owner’s rights and obligations under the environmental services agreement. As of July 31, 2010, the balance in this escrow account was approximately $873,000. We expect that this escrow account will cover all remaining costs and expenses of the environmental remediation concluding in a “no further action” letter issued by the RWQCB. However, if the RWQCB were to require further work costing more than the remaining escrowed funds, we could be required to pay such overage, although we may have a contractual claim for such costs against the prior owner or our environmental remediation consultant. Our environmental engineers expect to complete the environmental remediation in the next two to three years.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability. Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, the presence of ACBM in our properties may expose us to third-party liability (e.g. liability for personal injury associated with exposure to asbestos). We are not presently aware of any material adverse issues at our properties including ACBM.

Similarly, environmental laws govern the presence, maintenance and removal of lead-based paint in residential buildings, and may impose fines and penalties for failure to comply with these requirements. Such laws require, among other things, that owners or operators of residential facilities that contain or potentially contain lead-based paint notify residents of the presence or potential presence of lead-based paint prior to occupancy and prior to renovations and manage lead-based paint waste appropriately. In addition, the presence of lead-based paint in our buildings may expose us to third-party liability (e.g., liability for personal injury associated with exposure to lead-based paint). We are not presently aware of any material adverse issues at our properties involving lead-based paint.

In addition, the properties in our portfolio also are subject to various federal, state, and local environmental and health and safety requirements, such as state and local fire requirements. Moreover, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. Our leases sometimes require our tenants to comply with environmental and health and safety laws and regulations and to indemnify us for any related liabilities. But in the event of the bankruptcy or inability of any of our tenants to satisfy such obligations, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims regardless of whether we knew of, or were responsible for, the presence or disposal of hazardous or toxic substances or waste and irrespective of tenant lease provisions. The costs associated with such liability could be substantial and could have a material adverse effect on us.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury occurs. We are not presently aware of any material adverse indoor air quality issues at our properties.

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy, in addition to other coverages, such as trademark and pollution coverage, that may be appropriate for certain of our properties. We believe the policy specifications and insured limits are appropriate and adequate for our properties given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Some of our policies, like those covering losses due to terrorism and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, for such events. In addition, all but one of our properties are located in California and Hawaii, which are areas subject to an increased risk of earthquakes. While we will carry earthquake insurance on certain of our properties in Hawaii, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. See "Risk Factors—Risks Related to Our Business and Operations—Potential losses from earthquakes in California and Hawaii may not be covered by insurance." We may reduce or discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Also, if destroyed, we may not be able to rebuild certain of our properties due to current zoning and land use regulations. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

Competition

We compete with a number of developers, owners and operators of retail, office, mixed-use and multifamily real estate, many of which own properties similar to ours in the same markets in which our properties are located and some of which have greater financial resources than we do. In operating and managing our portfolio, we compete for tenants based on a number of factors, including location, rental rates, security, flexibility and expertise to design space to meet prospective tenants' needs and the manner in which the property is operated, maintained and marketed. As leases at our properties expire, we may encounter significant competition to renew or re-let space in light of the large number of competing properties within the markets in which we operate. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below-market renewal options, or we may not be able to timely lease vacant space. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to you may be adversely affected.

We also face competition when pursuing acquisition and disposition opportunities. Our competitors may be able to pay higher property acquisition prices, may have private access to opportunities not available to us and otherwise be in a better position to acquire a property. Competition may also have the effect of reducing the number of suitable acquisition opportunities available to us, increase the price required to consummate an acquisition opportunity and generally reduce the demand for retail, office, mixed-use and multifamily space in our markets. Likewise, competition with sellers of similar properties to locate suitable purchasers may result in us receiving lower proceeds from a sale or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable return.

Employees

Upon the completion of this offering and the formation transactions, we expect to have approximately 100 employees.

Principal Executive Offices

Our headquarters is located at 11455 El Camino Real, Suite 200, San Diego, California 92130. We believe that our current facilities are adequate for our present and future operations, although we may add regional offices or relocate our headquarters, depending upon our future operational needs.

Legal Proceedings

We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us. Following the consummation of this offering and the formation transactions, we may be subject to on-going litigation, including existing claims relating to American Assets, Inc., the current direct and indirect owners of our portfolio and the properties comprising our portfolio and we expect to otherwise be party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. American Assets, Inc., the Rady Trust and Mr. Rady are subject to on-going litigation filed in California Superior Court in 2009 by certain direct and indirect stockholders of American Assets, Inc., alleging, among other things that Mr. Rady breached his fiduciary duties to the plaintiffs in his capacity as an officer, director and controlling shareholder of American Assets, Inc. The claims brought by the various plaintiffs include direct and derivative claims for an accounting, injunctive and declaratory relief, and involuntary dissolution of American Assets, Inc., in addition to claims for an unspecified amount of damages. In order to obtain authorization to effectuate the formation transactions, we solicited the consent of the prior investors pursuant to a confidential private placement memorandum. In response to this solicitation, each of the prior investors who is also a plaintiff in this matter provided his or her consent to the formation transactions.

MANAGEMENT

Our Directors, Director Nominees and Executive Officers

Upon completion of this offering, our board of directors will consist of seven members, including a majority of directors who are independent within the meaning of the listing standards of the NYSE. Pursuant to our charter, each of our directors will be elected by our stockholders to serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies. See "Material Provisions of Maryland Law and of Our Charter and Bylaws—Our Board of Directors." The first annual meeting of our stockholders after this offering will be held in 2011. Subject to rights pursuant to any employment agreements, officers serve at the pleasure of our board of directors.

The following table sets forth certain information concerning our directors, executive officers and certain other officers upon completion of this offering:

Name	Age	Position
Ernest S. Rady*	73	Executive Chairman of the Board of Directors
John W. Chamberlain*	49	Chief Executive Officer and Director
Robert F. Barton*	53	Executive Vice President and Chief Financial Officer
Adam Wyll*	35	Senior Vice President, General Counsel and Secretary
Patrick Kinney*	47	Senior Vice President of Real Estate Operations
Christopher E. Sullivan	48	Vice President of Retail Leasing
James R. Durfey	60	Vice President of Office Leasing
Jerry Gammieri	45	Vice President of Construction
†		Director Nominee
†		Director Nominee
†		Director Nominee
†		Director Nominee
†		Director Nominee

* Denotes our named executive officers.

† Independent within the meaning of the NYSE listing standards. It is expected that this individual will become a director immediately upon completion of this offering.

Biographical Summaries of Directors and Executive Officers

The following are biographical summaries of the experience of our directors, executive officers and certain other officers.

Ernest S. Rady. Mr. Rady will serve as Executive Chairman of our board of directors. Mr. Rady has over 40 years of experience in real estate management and development. Mr. Rady founded American Assets, Inc. in 1967 and currently serves as president and chairman of the board of directors of American Assets, Inc. In 1971, he also founded Insurance Company of the West and Westcorp, a financial services holding company. From 1973 until 2006, Mr. Rady served as chairman and chief executive officer of Westcorp. He served as chairman of Western Financial Bank from 1982 until 2006 and chief executive officer of Western Financial from 1994 until 2006. He also served as a director of WFS Financial Inc., an automobile finance company, from 1988 until 2006 and as chairman from 1995 until 2006. From 2006 until 2007, Mr. Rady served as chairman of dealer finance business and California banking business for Wachovia Corporation, and also served as a director from 2006 until 2008. Mr. Rady currently serves as chairman of the board of directors of Insurance Company of the West, chairman of the Dean's Advisory Council of the Rady School of Management at the University of California, San Diego and trustee of the Salk Institute for Biological Sciences as well as Scripps Health. Mr. Rady received

his degrees in commerce and law from the University of Manitoba. Our board of directors determined that Mr. Rady should serve as a director based on his extensive knowledge of American Assets, Inc. and his wealth of experience in the real estate industry.

John W. Chamberlain. Mr. Chamberlain will serve as our Chief Executive Officer and a director. Mr. Chamberlain brings more than 25 years of experience in commercial real estate to this position. From 1989 until the formation of the company, Mr. Chamberlain served in executive roles within American Assets, Inc., most recently as chief executive officer. Prior to joining American Assets, Inc., Mr. Chamberlain was vice president of Coldwell Banker Real Estate Corporation, where he brokered various commercial real estate acquisitions. Mr. Chamberlain started his career as a sales associate at CW Clark, Inc., a commercial real estate development firm. In addition to serving as a director of American Assets, Inc. since 1997, Mr. Chamberlain also currently serves as a director of the Solana Beach Community Foundation. Mr. Chamberlain received his Bachelor of Arts degree in economics from the University of California, San Diego. Our board of directors determined that Mr. Chamberlain should serve as a director based on his extensive knowledge of American Assets, Inc. and his wealth of experience in the commercial real estate industry.

Robert F. Barton. Mr. Barton will serve as our Executive Vice President and Chief Financial Officer. Mr. Barton brings to his role more than 30 years of experience in commercial real estate, accounting, tax, mergers and acquisitions and structured finance. From 1998 until the formation of the company, Mr. Barton served as executive vice president and chief financial officer of American Assets, Inc. Additionally, from 2002 until the formation of our company, Mr. Barton served as chief financial officer and chief compliance officer of American Assets Investment Management, LLC, an investment advisor affiliated with American Assets, Inc. that is registered with the SEC. From 1996 until 1998, Mr. Barton served as executive director of real estate and finance for Flour Daniel, a Fortune 500 engineering and construction company. From 1986 until 1996, Mr. Barton served as senior vice president and chief financial officer of RCI Asset Management Group, a privately held real estate developer, whose capital partners included Melvin Simon & Associates, the predecessor entity to Simon Property Group. Prior to joining RCI, Mr. Barton was a senior audit manager at Kenneth Leventhal & Company, where he served private and publicly traded companies, including commercial and residential real estate developers. He began his professional career in 1980 with Arthur Young & Co. as an auditor. Mr. Barton received his Bachelor of Science degree in business administration with a major in accounting from California State University, Pomona. Mr. Barton is licensed as a Certified Public Accountant in California.

Adam Wyll. Adam Wyll will serve as our Senior Vice President, General Counsel and Secretary. From 2004 until the formation of our company, Mr. Wyll served in two officer positions at American Assets, Inc., initially as vice president of private equity and most recently as vice president of legal and business affairs. His responsibilities included structuring and managing complex corporate transactions, including real estate acquisitions, dispositions and financings, as well as private equity investments. Additionally, from 2007 until the formation of our company, Mr. Wyll served as vice president, director of client services of American Assets Investment Management, LLC, an investment advisor affiliated with American Assets, Inc. that is registered with the SEC. Prior to joining American Assets, Inc., Mr. Wyll was an attorney with Jenkens & Gilchrist, a professional corporation, where he specialized in representing institutional lenders in structured financial transactions and real estate investment trusts in securities and debt issuances. Mr. Wyll is a graduate of the University of Texas School of Law. He obtained his finance degree from the McCombs School of Business (University of Texas, Austin).

Patrick Kinney. Mr. Kinney will serve as our Senior Vice President of Real Estate Operations. From 2004 until the formation of our company, Mr. Kinney served as vice president of real estate for American Assets, Inc., where he was responsible for all aspects of asset management for retail, office, multifamily and hospitality properties. From 1993 until 2003, Mr. Kinney served in senior management positions, including as vice president of operations and vice president of accounting at Caruso Affiliated Holdings, a real estate development company headquartered in Los Angeles, California. His responsibilities at Caruso included supervising corporate tax and

accounting functions as well as overseeing management and lease administration of retail, office, residential and industrial properties, including The Grove in Los Angeles, California. Mr. Kinney obtained his Bachelor of Science degree in business administration and a minor in accounting and finance from California Polytechnic State University, San Luis Obispo.

Christopher E. Sullivan. Mr. Sullivan will serve as our Vice President of Retail Leasing. Mr. Sullivan brings to his role more than 25 years of experience in commercial real estate leasing and management. From 2004 until the formation of our company, Mr. Sullivan served as vice president of retail leasing for American Assets, Inc., where he oversaw all aspects of retail leasing for regional, community and neighborhood shopping centers in California, Texas and Hawaii. From 2000 until 2004, Mr. Sullivan served as the director of leasing for National Retail Partners, LLC, a commercial real estate advisor to CALPERS, where he managed the retail leasing for a national portfolio of over twenty retail centers. From 1995 until 2000, Mr. Sullivan served as director of leasing for Burnham Pacific Properties, where he managed the retail leasing of over twenty southern California retail centers. From 1990 until 1995, Mr. Sullivan served as vice president and general manager of Seaport Village, a large waterfront shopping center in San Diego, California. From 1984 to 1990, Mr. Sullivan was a senior leasing representative for the Hahn Company, a national owner and developer of regional shopping centers. Mr. Sullivan received his Bachelor of Arts in economics from the University of California, Santa Barbara. Mr. Sullivan is a licensed real estate broker in California and an active member of the International Council of Shopping Centers.

James R. Durfey. Mr. Durfey will serve as our Vice President of Office Leasing. Mr. Durfey brings to his role more than 28 years of experience in commercial real estate leasing, management and development. From 2004 until the formation of our company, Mr. Durfey served as vice president of office leasing for American Assets, Inc., where he oversaw all aspects of leasing for office properties. From 1996 until 2004, Mr. Durfey served as general manager of Century Plaza Towers and ABC Entertainment Center in Los Angeles, California for Trammell Crow Company, a real estate development and investment firm. From 1980 until 1995, Mr. Durfey served in several executive positions, most recently as senior development director, at Homart Development Co., a shopping center development company, where he managed Homart's west coast portfolio. Mr. Durfey obtained his Bachelor of Science degree in business management from Indiana University. Mr. Durfey is a licensed real estate broker in California.

Jerry Gammieri. Mr. Gammieri will serve as our Vice President of Construction. From 2000 until the formation of our company, Mr. Gammieri served as vice president of construction for American Assets, Inc., where he oversaw all of American Assets, Inc.'s and its affiliate's construction activities. From 1989 until 2000, Mr. Gammieri served as vice president of operations of Peterbilt Construction Company, where he was responsible for all aspects of operations. Mr. Gammieri obtained his Associate of Arts and Sciences degree in construction from the State University of New York at Canton.

Additional Background Regarding Our Management Team

We were formed to succeed to the real estate business of American Assets, Inc., a privately held corporation founded in 1967 and, as such, we have significant experience, long-standing relationships and extensive knowledge of our core markets, submarkets and asset classes. Our senior management team's operational experience with American Assets, Inc. includes overseeing the acquisition or development of more than 9.5 million square feet of retail and office properties and more than 4,600 multifamily units, as well as the disposition of over 4.2 million square feet of retail and office properties and more than 3,600 multifamily units. During their time with American Assets, Inc., our senior management team has experienced numerous real estate economic cycles, each of which has presented different challenges and opportunities. Adverse challenges during down real estate cycles have included declining occupancies, lower rents and higher costs of capital, all of which have translated into lower unrealized valuations from time to time. Other challenges have included longer than expected delays and costs in the entitlement processes on new construction in high-barrier-to-entry coastal locations. In the most recent global credit crisis, American Assets, Inc. experienced the evaporation of liquidity

in the capital markets. However, its lack of significant debt maturities during the global credit crisis enabled it to prudently focus on operational efficiencies during the period of time before the credit markets began to re-open. In addition, the Company believes that its high quality of assets allowed American Assets, Inc. to access credit markets as debt maturities occurred in 2009.

Corporate Governance Profile

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- our board of directors is not staggered, with each of our directors subject to re-election annually;
- of the seven persons who will serve on our board of directors immediately after the completion of this offering, we expect our board of directors to determine that , or %, of our directors satisfy the listing standards for independence of the NYSE and Rule 10A-3 under the Exchange Act;
- we anticipate that at least one of our directors will qualify as an "audit committee financial expert" as defined by the SEC;
- we have opted out of the business combination and control share acquisition statutes in the MGCL; and
- we do not have a stockholder rights plan.

Our directors will stay informed about our business by attending meetings of our board of directors and its committees and through supplemental reports and communications. Our independent directors will meet regularly in executive sessions without the presence of our corporate officers or non-independent directors.

Role of the Board in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors administers this oversight function directly, with support from its three standing committees, the audit committee, the nominating and corporate governance committee and the compensation committee, each of which addresses risks specific to their respective areas of oversight. In particular, our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

Board Committees

Upon completion of this offering, our board of directors will establish three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. The principal functions of each committee are briefly described below. We intend to comply with the listing requirements and other rules and regulations of the NYSE, as amended or modified from time to time, and each of these committees will be comprised exclusively of independent directors. Additionally, our board of directors may from time to time establish certain other committees to facilitate the management of our company.

Audit Committee

Upon completion of this offering, our audit committee will consist of three of our independent directors. We expect that the chairman of our audit committee will qualify as an "audit committee financial expert" as that term is defined by the applicable SEC regulations and NYSE corporate governance listing standards. We expect that our board of directors will determine that each of the audit committee members is "financially literate" as that term is defined by the NYSE corporate governance listing standards. Prior to the completion of this offering, we expect to adopt an audit committee charter, which will detail the principal functions of the audit committee, including oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;
- the performance of our internal audit function; and
- our overall risk profile.

The audit committee will also be responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The audit committee also will prepare the audit committee report required by SEC regulations to be included in our annual proxy statement. Mr. has been designated as chair and Messrs. and have been appointed as members of the audit committee.

Compensation Committee

Upon completion of this offering, our compensation committee will consist of three of our independent directors. Prior to the completion of this offering, we expect to adopt a compensation committee charter, which will detail the principal functions of the compensation committee, including:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our chief executive officer's compensation, evaluating our chief executive officer's performance in light of such goals and objectives and determining and approving the remuneration of our chief executive officer based on such evaluation;
- reviewing and approving the compensation, if any, of all of our other officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;

- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

Mr. has been designated as chair and Messrs. and have been appointed as members of the compensation committee.

Nominating and Corporate Governance Committee

Upon completion of this offering, our nominating and corporate governance committee will consist of three of our independent directors. Prior to the completion of this offering, we expect to adopt a nominating and corporate governance committee charter, which will detail the principal functions of the nominating and corporate governance committee, including:

- identifying and recommending to the full board of directors qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;
- developing and recommending to the board of directors corporate governance guidelines and implementing and monitoring such guidelines;
- reviewing and making recommendations on matters involving the general operation of the board of directors, including board size and composition, and committee composition and structure;
- recommending to the board of directors nominees for each committee of the board of directors;
- annually facilitating the assessment of the board of directors' performance as a whole and of the individual directors, as required by applicable law, regulations and the NYSE corporate governance listing standards; and
- overseeing the board of directors' evaluation of management.

In identifying and recommending nominees for directors, the nominating and corporate governance committee may consider diversity of relevant experience, expertise and background. Mr. has been designated as chair and Messrs. and have been appointed as members of the nominating and corporate governance committee.

Code of Business Conduct and Ethics

Upon completion of this offering, our board of directors will establish a code of business conduct and ethics that applies to our officers, directors and employees. Among other matters, our code of business conduct and ethics will be designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and

- accountability for adherence to the code of business conduct and ethics.

Any waiver of the code of business conduct and ethics for our executive officers or directors must be approved by a majority of our independent directors, and any such waiver shall be promptly disclosed as required by law or NYSE regulations.

Limitation of Liability and Indemnification

We intend to enter into indemnification agreements with each of our directors and executive officers that will obligate us, if a director or executive officer is or is threatened to be made a party to any proceeding by reason of such director's or executive officer's status as a present or former director, officer, employee or agent of our company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of another enterprise that the director or executive officer served in such capacity at our request, to indemnify such director or executive officer, and advance expenses actually and reasonably incurred by him or her, or on his or her behalf, unless it has been established that:

- the act or omission of the director or executive officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or executive officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal action or proceeding, the director or executive officer had reasonable cause to believe his or her conduct was unlawful.

In addition, except as described below, our directors and executive officers will not be entitled to indemnification pursuant to the indemnification agreement:

- if the proceeding was one brought by us or in our right and the director or executive officer is adjudged to be liable to us;
- if the director or executive officer is adjudged to be liable on the basis that personal benefit was improperly received in a proceeding charging improper personal benefit to the director or executive officer; or
- in any proceeding brought by the director or executive officer other than to enforce his or her rights under the indemnification agreement, and then only to the extent provided by the agreement, and except as may be expressly provided in our charter, our bylaws, a resolution of our board of directors or of our stockholders entitled to vote generally in the election of directors or an agreement approved by our board of directors.

Notwithstanding the limitations on indemnification described above, on application by a director or executive officer of our company to a court of appropriate jurisdiction, the court may order indemnification of such director or executive officer if the court determines that such director or executive officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director or executive officer (1) has met the standards of conduct set forth above or (2) has been adjudged liable for receipt of an "improper personal benefit"; however, our indemnification obligations to such director or executive officer will be limited to the expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with any proceeding by or in the right of our company or in which the officer or director shall have been adjudged liable for receipt of an improper personal benefit. If the court determines the director or executive officer is so entitled to indemnification, the director or executive officer will also be entitled to recover from us the expenses of securing such indemnification.

Notwithstanding, and without limiting, any other provisions of the indemnification agreements, if a director or executive officer is or is threatened to be made a party to any proceeding by reason of such director's or executive officer's status as a director, officer, employee or agent of our company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of another entity that the director or executive officer served in such capacity at our request, and such director or executive officer is successful, on the merits or otherwise, as to one or more (even if less than all) claims, issues or matters in such proceeding, we must indemnify such director or executive officer for all expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with each successfully resolved claim, issue or matter, including any claim, issue or matter in such a proceeding that is terminated by dismissal, with or without prejudice.

In addition, the indemnification agreements will require us to advance reasonable expenses incurred by the indemnitee within ten days of the receipt by us of a statement from the indemnitee requesting the advance, provided the statement evidences the expenses and is accompanied by:

- a written affirmation of the indemnitee's good faith belief that he or she has met the standard of conduct necessary for indemnification; and
- a written undertaking to reimburse us if a court of competent jurisdiction determines that the director or executive officer is not entitled to indemnification.

The indemnification agreements will also provide for procedures for the determination of entitlement to indemnification, including a requirement that such determination be made by independent counsel after a change of control of us.

Our charter permits us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (1) any of our present or former directors or officers who is made or threatened to be made a party to the proceeding by reason of his service in that capacity or (2) any individual who, while serving as our director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, and who is made or threatened to be made a party to the proceeding by reason of his service in that capacity.

Generally, Maryland law permits a Maryland corporation to indemnify its present and former directors and officers except in instances where the person seeking indemnification acted in bad faith or with active and deliberate dishonesty, actually received an improper personal benefit in money, property or services or, in the case of a criminal proceeding, had reasonable cause to believe that his or her actions were unlawful. Under Maryland law, a Maryland corporation also may not indemnify a director or officer in a suit by or in the right of the corporation in which the director or officer was adjudged liable to the corporation or for a judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct; however, indemnification for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

In addition, our directors and officers may be entitled to indemnification pursuant to the terms of the partnership agreement. See "Description of the Partnership Agreement of American Assets Trust, L.P."

Rule 10b5-1 Sales Plans

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information subject to compliance with the terms of our insider trading policy. Prior to the 365-day period after the completion of this offering (subject to potential extension or early termination), the sale of any shares under such plan would be subject to the lock-up agreement that the director or officer has entered into with the underwriters.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

During 2009, because we did not conduct business, no compensation was paid to any of our named executive officers, and, accordingly, no compensation policies or objectives governed our named executive officer compensation. At this time, our board of directors and our compensation committee have not yet adopted compensation policies applicable to our named executive officers, but intend to do so in the near future. We anticipate that our compensation policies will be established by our compensation committee based on factors such as the desire to retain our named executive officers' services over the long term, aligning their interests with those of our stockholders, incentivizing them over the near, medium and long term, rewarding them for exceptional performance and such other factors as our compensation committee may consider in shaping its compensation philosophy. We will pay base salaries and annual bonuses and expect to make grants of awards under our 2010 Equity Incentive Award Plan to certain of our executive officers and certain other employees effective upon completion of this offering. These awards under our 2010 Equity Incentive Award Plan will be granted to recognize such individuals' efforts on our behalf in connection with our formation and this offering. Our "named executive officers" during 2010 are expected to be Ernest S. Rady, Executive Chairman; John W. Chamberlain, Chief Executive Officer and Director; Robert F. Barton, Executive Vice President and Chief Financial Officer; Adam Wyll, Senior Vice President, General Counsel and Secretary; and Patrick Kinney, Senior Vice President of Real Estate Operations.

We expect that our compensation strategy will focus on providing a total compensation package that will not only attract and retain high-caliber executive officers and employees, but will also be utilized as a tool to align employee contributions with our corporate objectives and stockholder interests. We intend to provide a competitive total compensation package and will share our success with our named executive officers, as well as our other employees, when our objectives are met.

The following is a non-exhaustive list of items that we expect our compensation committee will consider in formulating our compensation philosophy and applying that philosophy to the implementation of our overall compensation program for named executive officers and other employees:

- goals of the compensation program;
- role of our compensation committee;
- engagement and role(s) of an external compensation consultant and other advisors;
- involvement of management in compensation decisions;
- components of compensation, including equity, cash, incentive, fixed, short-, medium- and long-term compensation, and the interaction of these various components with one another;
- equity grant guidelines with regard to timing, type, vesting and other terms and conditions of equity grants;
- stock ownership guidelines and their role in aligning the interests of named executive officers with our stockholders;
- severance and change of control protections;
- perquisites, enhanced benefits and insurance;

- deferred compensation and other tax-efficient compensation programs;
- retirement and other savings programs;
- peer compensation, benchmarking and survey data; and
- risk mitigation and related protective and remedial measures.

Elements of Executive Officer Compensation

Set forth below is an overview of the expected initial components of our named executive officer compensation program, including annual cash compensation, equity awards and health and retirement benefits to be provided following completion of this offering. Because we were only recently formed, meaningful individual compensation information is not available for prior periods. In addition, no compensation will be paid by us in 2010 to our named executive officers until the consummation of this offering.

Base Salaries

As of the completion of the offering, our named executive officers will earn annualized base salaries that are commensurate with their positions and are expected to provide a steady source of income sufficient to permit these officers to focus their time and attention on their work duties and responsibilities. The expected amounts of 2010 annual base salaries for our named executive officers are set forth in the Summary Compensation Table below, but may be adjusted by our compensation committee.

Cash Bonuses

Following the completion of the offering, our named executive officers will be eligible to earn discretionary annual cash bonuses for 2010 based on the attainment of specified performance objectives established by our compensation committee. Eligibility to receive these cash bonuses is expected to incentivize our named executive officers to strive to attain company and/or individual performance goals that further our interests and the interests of our stockholders. The applicable terms and conditions of the annual cash bonuses will be determined by our compensation committee.

Equity Awards

We expect to make grants of restricted common stock to certain of our employees, including our named executive officers, upon completion of this offering. These awards under our 2010 Equity Incentive Award Plan will be granted to recognize such individuals' efforts on our behalf in connection with our formation and this offering. We expect that the aggregated denominated dollar value of all such awards will be approximately $ million. These restricted stock awards will vest , subject to the employee's continued employment with us.

The amounts and types of future equity awards, which may include restricted common stock, option awards, stock appreciation rights and other forms of equity awards, among others, will be determined by our compensation committee in its discretion. In addition to attracting, motivating and retaining the talent for which we compete, equity award grants are expected to incentivize and reward increases in long-term stockholder value, align the interests of our employees, including our named executive officers, with the interests of our stockholders and promote the retention of our employees, including our named executive officers.

Retirement Savings

We expect to establish and maintain a retirement savings plan under section 401(k) of the Code to cover our eligible employees. The Code allows eligible employees to defer a portion of their compensation, within prescribed limits, which may be on a pre-tax basis through contributions to the 401(k) plan. We may match a portion of our employees' annual contributions, within prescribed limits.

Employee Benefits

We expect that our full-time employees, including our named executive officers, will be eligible to participate in health and welfare benefit plans, which will provide medical, dental, prescription and other health and related benefits.

Additional Compensation Components

In the future, as we formulate and implement our compensation program, we may provide different and/or additional compensation components, benefits and/or perquisites to our employees, including our named executive officers, to ensure that we provide a balanced and comprehensive compensation structure. We believe that it is important to maintain flexibility to adapt our compensation structure at this time to properly attract, motivate and retain the top executive talent for which we compete.

Employment Agreements

We may enter into employment agreements with certain of our named executive officers that would take effect upon completion of the offering. We would expect that these employment agreements would provide for compensation and benefits consistent with our compensation philosophy described above. These agreements may also provide for various severance and change in control benefits. The terms of these employment agreements have not yet been determined, but we expect that the protections that would be contained in these employment agreements would help to ensure the day-to-day stability necessary to our executives to enable them to properly focus their attention on their duties and responsibilities with the company and will provide security with regard to some of the most uncertain events relating to continued employment, thereby limiting concern and uncertainty and promoting productivity.

Equity Incentive Award Plan

We intend to adopt our 2010 Equity Incentive Award Plan, which we sometimes refer to as the 2010 Plan, subject to approval by a majority of our stockholders, under which we expect to grant cash and equity incentive awards to eligible service providers in order to attract, motivate and retain the talent for which we compete. The material terms of the 2010 Plan, as it is currently contemplated, are summarized below. We are still in the process of implementing the 2010 Plan and, accordingly, this summary is subject to change prior to the effectiveness of the registration statement of which this prospectus is a part.

Eligibility and Administration

Our directors, officers, employees and consultants and the directors, officers, employees and consultants of our operating partnership and our respective subsidiaries will be eligible to receive awards under the 2010 Plan. The 2010 Plan will be administered by our compensation committee, which may delegate its duties and responsibilities to subcommittees of our directors and/or officers, subject to certain limitations that may be imposed under Code Section 162(m), Section 16 of the Exchange Act and/or stock exchange rules, as applicable. Our board of directors will administer the 2010 Plan with respect to awards to non-employee directors. The plan administrator will have the authority to make all determinations and interpretations under, prescribe all forms for use with, and adopt rules for the administration of, the 2010 Plan, subject to its express terms and conditions. The plan administrator will also set the terms and conditions of all awards under the 2010 Plan, including any vesting and vesting acceleration conditions.

Limitation on Awards and Shares Available

An aggregate number of shares of our common stock equal to approximately % of our pro forma shares outstanding as of the closing of this offering will be available for issuance under awards granted pursuant to the 2010 Plan, which shares may be authorized but unissued shares or shares purchased in the open market.

If an award under the 2010 Plan is forfeited, expires or is settled for cash, then any shares subject to such award may, to the extent of such forfeiture, expiration or cash settlement, be used again for new grants under the 2010 Plan. However, the following shares may not be used again for grant under the 2010 Plan: (1) shares tendered or withheld to satisfy grant or exercise price or tax withholding obligations associated with an award, (2) shares subject to a stock appreciation right, or SAR, that are not issued in connection with the stock settlement of the SAR on its exercise, and (3) shares purchased on the open market with the cash proceeds from the exercise of options.

Under the 2010 Plan, each LTIP unit issued pursuant to an award shall be counted against the share reserve under the 2010 Plan as one share of common stock, but only to the extent that such LTIP unit is exchangeable into shares of common stock, and on the same basis as the exchange ratio applicable to the LTIP unit.

Awards granted under the 2010 Plan upon the assumption of, or in substitution for, awards authorized or outstanding under a qualifying equity plan maintained by an entity with which we enter into a merger or similar corporate transaction will not reduce the shares authorized for grant under the 2010 Plan. After a transition period that may apply following the effective date of the offering, the maximum number of shares of our common stock that may be subject to one or more awards granted to any one participant pursuant to the 2010 Plan during any calendar year is and the maximum amount that may be paid in cash pursuant to the 2010 Plan to any one participant during any calendar year period is $.

Awards

The 2010 Plan provides for the grant of stock options, including incentive stock options, or ISOs, and nonqualified stock options, or NSOs, restricted stock, dividend equivalents, stock payments, restricted stock units, or RSUs, performance shares, other incentive awards, LTIP units, SARs and cash awards. Except as described above with respect to the named executive officers, no determination has been made as to the types or amounts of awards that will be granted to specific individuals pursuant to the 2010 Plan. Certain awards under the 2010 Plan may constitute or provide for a deferral of compensation, subject to Code Section 409A, which may impose additional requirements on the terms and conditions of such awards. All awards will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms. Awards other than cash awards will generally be settled in shares of our common stock, but the plan administrator may provide for cash settlement of any award. A brief description of each award type follows:

- *Stock Options*. Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other tax Code requirements are satisfied. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant (or 110% in the case of ISOs granted to certain significant shareholders), except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years (or five years in the case of ISOs granted to certain significant shareholders). Vesting conditions determined by the plan administrator may apply to stock options and may include continued service, performance and/or other conditions.

- *Stock Appreciation Rights.* SARs entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share on the date of grant (except with respect to certain substitute SARs granted in connection with a corporate transaction) and the term of a SAR may not be longer than ten years. Vesting conditions determined by the plan administrator may apply to SARs and may include continued service, performance and/or other conditions.

- *Restricted Stock, RSUs and Performance Shares*. Restricted stock is an award of nontransferable shares of our common stock that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs are contractual promises to deliver shares of our common stock in the future, which may also remain forfeitable unless and until specified conditions are met. Delivery of the shares underlying these awards may be deferred under the terms of the award or at the election of the participant, if the plan administrator permits such a deferral. Performance shares are contractual rights to receive a range of shares of our common stock in the future based on the attainment of specified performance goals, in addition to other conditions which may apply to these awards. Conditions applicable to restricted stock, RSUs and performance shares may be based on continuing service with us or our affiliates, the attainment of performance goals and/or such other conditions as the plan administrator may determine.

- *Stock Payments, Other Incentive Awards, LTIP Units and Cash Awards*. Stock payments are awards of fully vested shares of our common stock that may, but need not, be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards. Other incentive awards are awards other than those enumerated in this summary that are denominated in, linked to or derived from shares of our common stock or value metrics related to our shares, and may remain forfeitable unless and until specified conditions are met. LTIP units are awards of units of our operating partnership intended to constitute "profits interests" within the meaning of the relevant Revenue Procedure guidance, which may be exchangeable into shares of our common stock. Cash awards are cash incentive bonuses subject to performance goals.

- *Dividend Equivalents*. Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in tandem with awards other than stock options or SARs. Dividend equivalents are credited as of dividend payments dates during the period between the date an award is granted and the date such award vests, is exercised, is distributed or expires, as determined by the plan administrator.

Performance Awards

Performance awards include any of the awards that are granted subject to vesting and/or payment based on the attainment of specified performance goals. The plan administrator will determine whether performance awards are intended to constitute "qualified performance-based compensation," or QPBC, within the meaning of Code Section 162(m), in which case the applicable performance criteria will be selected from the list below in accordance with the requirements of Code Section 162(m).

Code Section 162(m) imposes a $1.0 million cap on the compensation deduction that we may take in respect of compensation paid to our "covered employees" (which should include our chief executive officer and our next three most highly compensated employees other than our chief financial officer), but excludes from the calculation of amounts subject to this limitation any amounts that constitute QPBC. We do not expect Code Section 162(m) to apply to awards under the 2010 Plan until the earliest to occur of our annual shareholders' meeting in 2014, a material modification of the 2010 Plan or exhaustion of the share supply under the 2010 Plan. However, QPBC performance criteria may be used with respect to performance awards that are not intended to constitute QPBC.

In order to constitute QPBC under Code Section 162(m), in addition to certain other requirements, the relevant amounts must be payable only upon the attainment of pre-established, objective performance goals set by our compensation committee and linked to stockholder-approved performance criteria. For purposes of the 2010 Plan, one or more of the following performance criteria will be used in setting performance goals applicable to QPBC, and may be used in setting performance goals applicable to other performance awards: (1) net earnings (either before or after one or more of the following: (a) interest, (b) taxes, (c) depreciation and (d) amortization); (2) gross or net sales or revenue; (3) net income (either before or after taxes); (4) adjusted net income; (5) operating earnings or profit; (6) cash flow or NOI (including, but not limited to, operating cash flow and free

cash flow); (7) return on assets; (8) return on capital; (9) return on stockholders' equity; (10) total stockholder return; (11) return on sales; (12) gross or net profit or operating margin; (13) costs; (14) funds from operations; (15) expenses; (16) working capital; (17) earnings per share; (18) adjusted earnings per share; (19) price per share of common stock; (20) implementation or completion of critical projects; (21) market share; and (22) economic value, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

The 2010 Plan also will permit the plan administrator to provide for objectively determinable adjustments to the applicable performance criteria in setting performance goals for QPBC awards. Such adjustments may include one or more of the following: (1) items related to a change in accounting principle; (2) items relating to financing activities; (3) expenses for restructuring or productivity initiatives; (4) other non-operating items; (5) items related to acquisitions; (6) items attributable to the business operations of any entity acquired by us during the performance period; (7) items related to the disposal of a business or segment of a business; (8) items related to discontinued operations that do not qualify as a segment of a business under GAAP; (9) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the performance period; (10) any other items of significant income or expense which are determined to be appropriate adjustments; (11) items relating to unusual or extraordinary corporate transactions, events or developments; (12) items related to amortization of acquired intangible assets; (13) items that are outside the scope of our core, on-going business activities; or (14) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions.

Certain Transactions

The plan administrator will have broad discretion to equitably adjust the provisions of the 2010 Plan, as well as the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our shareholders known as "equity restructurings," the plan administrator will make equitable adjustments to the 2010 Plan and outstanding awards. In the event of a change in control of our company (as defined in the 2010 Plan), the surviving entity must assume outstanding awards or substitute economically equivalent awards for such outstanding awards; however, if the surviving entity refuses to assume or substitute for all or some outstanding awards, then all such awards will vest in full and be deemed exercised (as applicable) upon the transaction. Individual award agreements may provide for additional accelerated vesting and payment provisions.

Foreign Participants, Transferability and Participant Payments

The plan administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2010 Plan are generally non-transferable prior to vesting and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2010 Plan, the plan administrator may, in its discretion, accept cash or check, shares of our common stock that meet specified conditions, a "market sell order" or such other consideration as it deems suitable.

Plan Amendment and Termination

Our board of directors may amend or terminate the 2010 Plan at any time; however, except in connection with certain changes in our capital structure, stockholder approval will be required for any amendment that increases the number of shares available under the 2010 Plan, "reprices" any stock option or

SAR or cancels any stock option or SAR in exchange for cash or another award when the option or SAR price per share exceeds the fair market value of the underlying shares or as otherwise required by applicable law or stock exchange rule. No award may be granted pursuant to the 2010 Plan after the tenth anniversary of the date on which we adopt the 2010 Plan.

Additional REIT Restrictions

The 2010 Plan will provide that no participant will be granted, become vested in the right to receive or acquire or be permitted to acquire, or will have any right to acquire, shares under an award if such acquisition would be prohibited by the restrictions on ownership and transfer of our stock contained in our charter or would impair our status as a REIT.

Tax Considerations

Section 162(m) of the Internal Revenue Code

Section 162(m) of the Code disallows a tax deduction for any publicly held corporation for individual compensation exceeding $1.0 million in any taxable year for our chief executive officer and each of our other named executive officers (other than our chief financial officer), unless compensation is performance based. We expect that our compensation committee will, following this offering, adhere to the principle that, where reasonably practicable, we will seek to qualify the variable compensation paid to our named executive officers for an exemption from the deductibility limitations of Section 162(m). As such, in approving the amount and form of compensation for our named executive officers in the future, our compensation committee will consider all elements of the cost to our company of providing such compensation, including the potential impact of Section 162(m). However, our compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

Section 409A of the Internal Revenue Code

Section 409A of the Code requires that “nonqualified deferred compensation” be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees and other service providers, including our named executive officers, so that they are either exempt from, or satisfy the requirements of, Section 409A.

Section 280G of the Internal Revenue Code

Section 280G of the Code disallows a tax deduction with respect to excess parachute payments to certain executives of companies which undergo a change in control. In addition, Section 4999 of the Internal Revenue Code imposes a 20% penalty on the individual receiving the excess payment.

Parachute payments are compensation that is linked to or triggered by a change in control and may include, but are not limited to, bonus payments, severance payments, certain fringe benefits, and payments and acceleration of vesting from long-term incentive plans, including stock options and other equity-based compensation. Excess parachute payments are parachute payments that exceed a threshold determined under Section 280G based on the executive’s prior compensation. In approving the compensation arrangements for our named executive officers in the future, our compensation committee will consider all elements of the cost to our company of providing such compensation, including the potential impact of Section 280G. However, our

compensation committee may, in its judgment, authorize compensation arrangements that could give rise to loss of deductibility under Section 280G and the imposition of excise taxes under Section 4999 when it believes that such arrangements are appropriate to attract and retain executive talent.

Accounting Standards

ASC Topic 718, *Compensation—Stock Compensation* (referred to as ASC Topic 718 and formerly known as FASB 123R), requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options, restricted stock, restricted stock units and performance units under our 2010 Equity Incentive Award Plan will be accounted for under ASC Topic 718. Our compensation committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity plans and programs. As accounting standards change, we may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

Compensation Committee Interlocks and Insider Participation

Upon completion of this offering and the formation transactions, we do not anticipate that any of our executive officers will serve as a member of a board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

Compensation Tables

Summary Compensation Table

We did not conduct business in 2009 and, accordingly, we did not pay any compensation to our named executive officers during or in respect of that year. Because we have no 2009 compensation to report, we are including below a Summary Compensation Table setting forth certain compensation that we expect to pay to our named executive officers during 2010 in order to provide some understanding of our expected compensation levels. While the table below accurately reflects our current expectations with respect to 2010 named executive officer compensation, actual 2010 compensation for these officers may be increased or decreased, including through the use of compensation components not currently contemplated or described herein. We expect to disclose actual 2010 compensation for our named executive officers in 2011, to the extent required by applicable SEC disclosure rules.

Name and Principal Position	Fiscal Year	Salary ($)[1]	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)[4]
Ernest S. Rady Executive Chairman	2010		[2]	[3]	—	—	—	
John W. Chamberlain Chief Executive Officer and Director	2010		[2]	[3]	—	—	—	
Robert F. Barton Executive Vice President and Chief Financial Officer	2010		[2]	[3]	—	—	—	
Adam Wyll Senior Vice President, General Counsel and Secretary	2010		[2]	[3]	—	—	—	
Patrick Kinney Senior Vice President of Real Estate Operations	2010		[2]	[3]	—	—	—	

(1) Salary amounts are annualized for the year ending December 31, 2010 based on the expected base salary levels to be effective upon the completion of this offering. Each of our named executive officers will receive a pro-rata portion of his 2010 base salary for the period from the completion of this offering through December 31, 2010.
(2) Any bonus awards to our named executive officers will be determined after the end of the 2010 fiscal year in the sole discretion of our compensation committee contingent upon such factors as the compensation committee may deem appropriate.
(3) Stock awards have not yet been granted to our named executive officers but are expected to be made on or about the date of this offering.
(4) Amounts shown in this column do not include the value of restricted stock awards (described in Note 3 above) that are expected to be granted to our named executive officers in connection with the offering, but which have not yet been granted.

Director Compensation

We intend to approve and implement a compensation program for our non-employee directors that consists of annual retainer fees and long-term equity awards. We will also reimburse each of our directors for his or her travel expenses incurred in connection with his or her attendance at full board of directors and committee meetings. We have not made any payments to any of our non-employee directors or director nominees to date.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Formation Transactions

Each property that will be owned by us through our operating partnership upon the completion of this offering and the formation transactions is currently owned directly or indirectly by partnerships, limited liability companies or corporations in which Ernest S. Rady and his affiliates, including the Rady Trust, our other directors and executive officers and their affiliates and/or other third parties own a direct or indirect interest. We refer to these partnerships, limited liability companies and corporations collectively as the "ownership entities." The current owners of the ownership entities, whom we refer to as the "prior investors," have (1) entered into contribution agreements with us or our operating partnership, pursuant to which they will contribute their interests in the ownership entities to us or our operating partnership or its subsidiaries, or (2) caused the ownership entities to enter into merger agreements pursuant to which the ownership entities will merge with and into us, our operating partnership or certain of our or our operating partnership's subsidiaries (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities), in each case substantially concurrently with the completion of this offering. To the extent that we are party directly to certain mergers in the formation transactions, we will contribute the assets received in such merger transactions to our operating partnership in exchange for common units. In addition, in connection with such transactions, American Assets, Inc. will contribute its property management business, which we refer to as the "property management business," to our operating partnership in exchange for common units pursuant to a contribution agreement. The prior investors will receive cash, shares of our common stock and/or common units in exchange for their interests in the ownership entities. See "Structure and Formation of Our Company—Formation Transactions."

Each of the prior investors has had a substantive, pre-existing relationship with us and consented, prior to the filing of the registration statement of which this prospectus is a part with the SEC, to the contribution or merger of the ownership entity or entities in which he or she holds an investment and made an election to receive shares of our common stock and/or common units in the formation transactions. All prior investors receiving shares of our common stock and/or common units are "accredited investors" as defined under Regulation D of the Securities Act. The issuance of such shares and units will be effected in reliance upon exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D of the Securities Act.

The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or prior investors, on the other hand. In all cases, the aggregate value of consideration to be paid to each investor will be determined by applying his or her allocated share of ownership in each applicable property to the equity value of such property. The equity value of each property will be determined by applying the results of a relative equity valuation analysis of the properties and the property management business, which valuation analysis was conducted by an independent third-party valuation specialist, to the total value of our portfolio and the property management business, as determined upon pricing of this offering. The actual value of the consideration to be paid by us to each of the prior investors, in the form of common stock, common units or cash (in the case of non-accredited investors), ultimately will be determined at pricing based on the initial public offering price of our common stock. The initial public offering price will be negotiated between the representatives of the underwriters and us. In determining the initial public offering price of our common stock, the representatives of the underwriters will consider, among other things, the history and prospects for the industry in which we compete, our results of operations, the ability of our management, our business potential and earnings prospects, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the prevailing securities markets at the time of this offering, the recent market prices of, and the demand for, publicly traded shares of companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. Prior to this offering, there has been no public market for our common stock. As such, the initial public offering price does not necessarily bear any relationship

to the book value of the properties and assets to be acquired in the formation transactions, our financial condition or any other established criteria of value and may not be indicative of the market price for our common stock after this offering.

This calculation of the value of the consideration to be paid to each of the prior investors in the formation transactions, as described above, is further subject to adjustment to account for the existence of certain unsecured indebtedness related to the applicable properties and for changes in indebtedness related to the applicable properties. As part of the formation transactions, intercompany indebtedness obligations between or among ownership entities and the prior investors will be settled as an adjustment to the formation transaction consideration otherwise receivable by or payable to prior investors who were debtors or lenders or who held interests in ownership entities that were debtors or lenders, with respect to such debt obligations. The number of units or shares to be issued to each prior investor will be equal to (1) the value of the consideration to be received by him or her, divided by (2) the initial public offering price of our common stock.

In the event that the formation transactions are completed, we and our operating partnership will be solely responsible for all transaction costs incurred by the ownership entities in connection with the formation transactions and this offering. Moreover, while the merger agreements contain certain representations and warranties regarding the ownership entities and the contribution agreements contain certain representations warranties by the prior investors who are parties to such agreements, the majority of these representations and warranties will not survive the closing of the formation transactions. The prior investors will provide us with no indemnification for breaches of the surviving representations and warranties and our sole remedy against the prior investors will be for breach of contract.

The following table sets forth the consideration to be received by our directors, officers and affiliates in connection with the formation transactions, assuming a price per share of our common stock equal to the mid-point of the range set forth on the cover of this prospectus:

Prior Investors	Relationship with Us	Number of Shares Received in Formation Transactions	Number of Units Received in Formation Transactions	Total Value of Formation Transaction Consideration
American Assets, Inc.	Owner of 5% or more of our outstanding common stock			
Ernest Rady Trust U/D/T March 10, 1983[1]	Owner of 5% or more of our outstanding common stock			
Ernest S. Rady[2]	Director and Executive Officer			
John W. Chamberlain[3]	Director and Executive Officer			
Robert F. Barton[4]	Executive Officer			
Adam Wyll	Executive Officer			
Patrick Kinney	Executive Officer			

(1) Includes shares and common units held by American Assets, Inc., which is controlled by the Rady Trust. The Rady Trust disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(2) Includes (a) shares and common units held by the Rady Trust, for which Mr. Rady is the trustee and beneficiary; (b) shares and common units held by the Donald R. Rady Trust, for which Mr. Rady is the trustee; (c) shares and common units held by the Harry M. Rady Trust, for which Mr. Rady is the trustee; (d) shares and common units held by the Margo S. Rady Trust, for which Mr. Rady is the trustee; (e) shares and common units held by DHM Trust dated as of 29th May 1959, for which Mr. Rady is the trustee; and (f) shares and common units held by American Assets, Inc., which is indirectly controlled by Mr. Rady. Mr. Rady disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(3) Includes (a) shares and common units held by Trust A of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; (b) shares and common units held by Trust C of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; and (c) shares and common units held by The John W. and Rebecca S. Chamberlain Trust dated July 14, 1994, as amended, for which Mr. Chamberlain and his wife are the trustees and beneficiaries. Mr. Chamberlain disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(4) Includes shares and common units held by the Robert and Katherine Barton Living Trust, for which Mr. Barton is a trustee and beneficiary, and as such is the beneficial owner of the shares and common units held by such trust.

We have not obtained independent third-party appraisals of the properties in our portfolio. Accordingly, there can be no assurance that the fair market value of the cash and equity securities that we pay or issue to the prior investors will not exceed the fair market value of the properties and other assets acquired by us in the formation transactions. See “Risk Factors—Risks Related to Our Properties and Our Business—The value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined, net tangible book value of approximately $126.6 million as of June 30, 2010.”

Upon completion of this offering and the formation transactions, Mr. Rady and his affiliates, including the Rady Trust, and our other directors and executive officers will own % of our outstanding common stock, or % on a fully diluted basis (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters’ overallotment option is exercised in full) based upon the mid-point of the range of prices shown on the cover of this prospectus.

In addition, in connection with the formation transactions, the Rady Trust has entered into a representation, warranty and indemnity agreement with us, pursuant to which it made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. For purposes of satisfying any indemnification claims, the Rady Trust will deposit into escrow shares of our common stock and common units with an aggregate value equal to ten percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions. The Rady Trust has no obligation to increase the amount of common stock and/or common units in the escrow in the event the trading price of our common stock declines below the initial public offering price. Any and all amounts remaining in the escrow one year from the closing of the formation transactions will be distributed to the Rady Trust to the extent that indemnity claims have not been made against such amounts. This indemnification is subject to a one-time aggregate deductible equal to one percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions and a cap equal to the value of the consideration deposited in the escrow. Other than the Rady Trust, none of the prior investors or the entities that we are acquiring in the formation transactions will provide us with any indemnification.

Excluded Assets

We will not be acquiring our Predecessor’s noncontrolling 25% ownership interest in the Fireman’s Fund Headquarters office property located in Novato, California, because the tenant at this property has not agreed to waive the potential application of a right of first offer with respect to a transfer by our Predecessor of its 25% ownership interest in this property to us in the formation transactions. In addition, our Predecessor’s joint venture partner in this property, which owns the remaining 75% ownership interest, did not consent to include its

interest in such asset in the formation transactions. As a result of the fact that this joint venture interest in the Fireman's Fund Headquarters will not be included in the formation transactions, Ernest S. Rady, our Executive Chairman, and his affiliates will continue to own their relative interests in this noncontrolling 25% joint venture interest in the Fireman's Fund Headquarters. In addition, American Assets, Inc., an entity controlled by Mr. Rady, will continue as the manager of this property and will receive a management fee in an amount equal to 1.25% of gross receipts, payable monthly in arrears. However, pursuant to the terms of this property's triple net lease, American Assets, Inc. is not responsible for the day-to-day management of this property.

To the extent that an ownership entity has an excess of net working capital over "target net working capital" (as set forth below) as determined by us within 45 days prior to the date of the preliminary prospectus in connection with this offering, the amount of such excess shall be due to the prior owners of such ownership entity following the completion of the offering, including Ernest S. Rady and his affiliates and our other directors and executive officers who are prior investors. To the extent not distributed or paid by such ownership entity prior to the completion of this offering, our operating partnership shall pay such amounts on behalf of each such ownership entity promptly after the completion of this offering. For purposes of this calculation, the target net working capital of each ownership entity will be zero, other than with respect to certain ownership entities holding interests in Waikiki Beach Walk—Retail and the Waikiki Beach Walk—Embassy Suites™. With respect to Waikiki Beach Walk—Retail, ABW Lewers LLC will have a target net working capital of $5,000,000 and with respect to the Waikiki Beach Walk—Embassy Suites™, each of EBW Hotel, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC, and Waikele Venture Holdings, LLC, will have a target net working capital of $2,050,000, $766,500, $470,000 and $1,713,500, respectively. Therefore, any such amounts will not be included in the assets that we acquire in the formation transactions.

We estimate that the aggregate amount of such excess of net working capital will be $, of which $ will be payable to Ernest S. Rady and his affiliates, $ will be payable to John W. Chamberlain and his affiliates and $ will be payable to Robert F. Barton and his affiliates.

Release of Guarantees

The Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $75.4 million of indebtedness, in the aggregate, with respect to Waikele Center, Waikiki Beach Walk—Embassy Suites™, 160 King Street, The Landmark at One Market and Valencia Corporate Center. All of the indebtedness underlying the foregoing guaranteed amounts will be repaid with proceeds from this offering and, as a result, the Rady Trust and these other affiliates of Mr. Rady will be released from these guarantee obligations.

In addition, the Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $879.9 million of indebtedness, in the aggregate, that will be assumed by us upon completion of this offering. The guarantees with respect to substantially all of this indebtedness are limited to losses incurred by the applicable lender arising from a borrower's fraud, intentional misrepresentation or other "bad acts," a borrower's bankruptcy, a prohibited transfer under the loan documents or losses arising from a borrower's breach of certain environmental covenants. In connection with this assumption, we will seek to have the Rady Trust and such other affiliates of Mr. Rady released from such guarantees and to have our operating partnership assume any such guarantee obligations as replacement guarantor. To the extent lenders do not consent to the release of the Rady Trust and or such other affiliates of Mr. Rady, and the Rady Trust and such other affiliates remain guarantors on assumed indebtedness following the IPO, our operating partnership will enter into a reimbursement agreement with the Rady Trust and such affiliates, pursuant to which our operating partnership will be obligated to reimburse the Rady Trust and such other affiliates of Mr. Rady for any amounts paid by them under guarantees with respect to the assumed indebtedness.

Partnership Agreement

In connection with the completion of this offering, we will enter into an amended and restated partnership agreement with the various persons receiving common units in the formation transactions, including

Mr. Rady, his affiliates and certain other executive officers of our company. As a result, these persons will become limited partners of our operating partnership. See "Description of the Partnership Agreement of American Assets Trust, L.P." Upon completion of this offering and the formation transactions, Mr. Rady and his affiliates and our other directors and executive officers will own % of the outstanding common units (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters' overallotment option is exercised in full).

Pursuant to the partnership agreement, limited partners of our operating partnership and some assignees of limited partners will have the right, beginning 14 months after the completion of this offering, to require our operating partnership to redeem part or all of their common units for cash equal to the then-current market value of an equal number of shares of our common stock (determined in accordance with and subject to adjustment under the partnership agreement), or, at our election, to exchange their common units for shares of our common stock on a one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled "Description of Securities—Restrictions on Ownership and Transfer."

In addition, we may not, without prior limited partner approval, directly or indirectly transfer all or any portion of our interest in the operating partnership before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. See "Description of the Partnership Agreement of American Assets Trust, L.P.—Restrictions on Transfers by the General Partner."

Registration Rights

In connection with the completion of this offering, we will enter into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions, including Mr. Rady, his affiliates, immediate family members and related trusts and certain of our executive officers. Under the registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of this offering, we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the resale of the shares of our common stock issued or issuable, at our option, in exchange for common units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act in lieu of our operating partnership's obligation to pay cash for such units.

Commencing one year after the date of this offering (but prior to the date upon which the registration statement described above is effective) or 16 months after the date of this offering if a shelf registration statement is not then effective, Mr. Rady and his affiliates, immediate family members and related trusts will have demand rights to require us to undertake an underwritten offering under a resale registration statement (so long as a majority-in-interest of such group makes such a demand). In addition, if we file a registration statement with respect to an underwritten offering for our own account, any of Mr. Rady and his affiliates, immediate family members and related trusts will have the right, subject to certain limitations, to register such number of shares of our common stock issued to him or her pursuant to the formation transactions as each such person requests.

Commencing upon our filing of a resale registration statement not later than 14 months after the date of this offering, under certain circumstances, we will also be required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided the securities to be registered in such offering shall (1) have a market value of at least $25 million or (2) shall represent all of the remaining securities acquired in the formation transactions by Mr. Rady and his affiliates, immediate family members and related trusts and such securities shall have a market value of at

least $10 million, and provided further that we are not obligated to effect more than three such underwritten offerings. We will agree to pay all of the expenses relating to the securities registrations described above. See “Shares Eligible for Future Sale—Registration Rights.”

Tax Protection Agreement

In connection with the formation transactions and this offering, we will enter into a tax protection agreement with certain limited partners of our operating partnership, or the protected partners, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain. Under this agreement, our operating partnership will indemnify the protected partners for their tax liabilities (plus an additional amount equal to the taxes incurred as a result of such indemnity payment) attributable to their share of the built-in gain, as of the closing of the formation transactions, with respect to their interest in Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza, portion of Torrey Reserve Campus, which we collectively refer to as the tax protected properties, if the operating partnership, without the consent of Mr. Rady, disposes of any interest with respect to such properties in a taxable transaction during the shorter of the seven-year period after the closing of the formation transactions and the date on which 50% or more of the common units originally received by any such protected partner in the formation transactions have been sold, exchanged or otherwise disposed of by the protected partner, subject to certain exceptions and limitations. In addition, if during this period we fail to offer certain of the protected partners an opportunity to guarantee, in the aggregate, up to $ million of our outstanding indebtedness, or if we fail to make commercially reasonable efforts to provide such partners who continue to own more than 50% of the common units originally received by such partners in the formation transactions with an opportunity to guarantee debt after this period, we will be required to indemnify such partners against their resulting tax liabilities (plus an additional amount equal to the taxes they incur as a result of such indemnity payment). Notwithstanding the foregoing, the operating partnership’s indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain will have the opportunity to guarantee up to $ million and $ million, respectively, of our outstanding indebtedness. Among other things, this opportunity to guarantee debt is intended to allow the protected partners to defer the recognition of gain in connection with the formation transactions. The sole and exclusive rights and remedies of any protected partner under the tax protection agreement shall be a claim against our operating partnership for such protected partner’s tax liabilities as calculated in the tax protection agreement, and no protected partner shall be entitled to pursue a claim for specific performance or bring a claim against any person that acquires a protected party from our operating partnership in violation of the tax protection agreement.

Reimbursement of Pre-closing Transaction Costs

From time to time prior to this offering, American Assets, Inc., which is indirectly controlled by Mr. Rady, has advanced or incurred an aggregate of approximately $ million in organizational, legal, accounting and other similar expenses in connection with this offering and the formation transactions. These funds were advanced or incurred with the understanding that they would be repaid out of the proceeds of a completed public offering. Accordingly, upon consummation of this offering, we will reimburse American Assets, Inc. for the approximately $ million of such advances.

Repayment of Related Party Debt

In connection with the formation transactions, we will repay in cash from the proceeds of this offering approximately $4.9 million in notes payable to certain of the prior investors in Del Monte Center. Mr. Rady and his affiliates will receive approximately $3.8 million of this amount in their capacity as direct or indirect owners of the entities that own Del Monte Center. In addition, in connection with the formation transactions, we will repay in cash from the proceeds of this offering approximately $350,000 in notes payable to certain prior investors in Torrey Reserve Campus. Mr. Rady and his affiliates will receive approximately $30,000 of this amount in their capacity as direct or indirect owners of the entities that own Torrey Reserve Campus.

Lease Agreements

Insurance Company of the West, which was founded by Mr. Rady and is indirectly controlled by him, is a major tenant at Torrey Reserve Campus and Valencia Corporate Center. American Assets, Inc., which was also founded by Mr. Rady and is indirectly controlled by him, is a tenant at Torrey Reserve Campus. Mr. Rady currently serves as the chairman of the board of directors of both Insurance Company of the West and American Assets, Inc. Pursuant to the lease agreements with Insurance Company of the West, we will receive approximately $360,000 per month ($4,320,000 per year) in rent from Insurance Company of the West, and pursuant to the lease agreement with American Assets, Inc., we will receive approximately $57,000 per month ($684,000 per year) in rent from American Assets, Inc.

Assets Recently Acquired by Our Founders

In June 2010, the Rady Trust purchased a 99% indirect ownership interest in Landmark Venture JV, LLC, which indirectly owns an approximately 66.2% interest in The Landmark at One Market, for approximately $22.2 million. In connection with the formation transactions, we will acquire all of the indirect interests in Landmark Venture JV, LLC acquired by the Rady Trust in June 2010 for shares of common stock and/or common units with an aggregate value equal to $ million (based on the mid-point of the range set forth on the cover of this prospectus). In addition, in August 2010, a family trust established by Mr. Barton acquired an approximately 2.1% interest in Landmark Assets, Inc., which owns the remaining 1% interest in Landmark Venture JV, LLC, for $3,500. In connection with the formation transactions, we will acquire all of the interests in Landmark Assets, Inc. acquired by this Barton family trust in August 2010 for shares of common stock and/or common units with an aggregate value equal to $ (based on the mid-point of the range set forth on the cover of this prospectus). The value of the consideration that we will pay for these interests will be determined according to the applicable merger agreements and/or contribution agreements in the manner described above under "—Formation Transactions." In addition to the foregoing, we have also exercised an option to purchase an approximately 80,000 rentable square foot building vacated by Mervyn's, which is located at our Carmel Mountain Plaza property, for approximately $13.2 million.

Outrigger Agreements

Under our hotel management agreement with Outrigger, we pay Outrigger a monthly management fee of 6.0% of the hotel's gross operating profit as well as 3.0% of the hotel's gross revenues to cover the monthly franchise royalty fee payable to the franchisor of the brand under which this hotel operates, provided that the aggregate management fee for any year shall not exceed 3.5% of the hotel's gross revenues for such fiscal year. Pursuant to the terms of the hotel management agreement, if the agreement is terminated in certain instances, including upon a transfer by us of the hotel or upon a default by us under the hotel management agreement, we will be required to pay a cancellation fee calculated by multiplying (1) the management fees for the previous 12 months by (2) (A) eight, if the agreement is terminated in the first 11 years, or (B) four, three, two or one, if the agreement is terminated in the twelfth, thirteenth, fourteenth or fifteenth year, respectively, of the term of the agreement. We may not terminate the hotel management agreement without cause.

Under our retail management agreement with Outrigger, we pay Outrigger a monthly management fee of $10,000 per month or 3% of net revenues from the retail property, which ever is greater. Pursuant to the terms of the retail management agreement, if the agreement is terminated in certain instances, including our election not to repair damage or destruction at the property, a condemnation or our failure to make required working capital infusions, we will be obligated to pay Outrigger a termination fee equal to the sum of the management fees paid for the two calendar months immediately preceding the termination date. The retail management agreement may not be terminated by us or by Outrigger without cause.

Pursuant to a letter agreement dated September 6, 2010, we have agreed, provided that this offering is consummated, to: (1) use our best efforts to obtain the release of Outrigger from its guarantee with respect to a

$130.3 million mortgage loan related to Waikiki Beach Walk—Retail that will remain outstanding after this offering, provided that, if the lender of such loan does not agree to such a release, we will use our best efforts to cause the lender to agree to look to us or the operating partnership for primary recourse under such guarantee prior to looking to Outrigger for any recourse under such guarantee and we or the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs as a secondary guarantor of such loan, provided further that, if neither of the foregoing proposals are accepted by such lender, then we and the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs under such guarantee; (2) assume the indemnification obligation which American Assets, Inc. had with respect to Outrigger with regarding any adverse tax consequences arising from the formation of the Waikiki Beach Walk—Embassy Suites™ tenancy in common; and (3) along with the operating partnership, waive and relinquish all rights and benefits afforded to us or the operating partnership, other than pursuant to documents entered into pursuant to the formation transactions to which certain affiliates of Outrigger are a party, for claims against Outrigger and/or its affiliates, for actions or omissions by Outrigger and/or its affiliates taken prior to the completion of the formation transactions.

Employment Agreements

We may enter into employment agreements with certain of our executive officers that would take effect upon completion of this offering, which would be expected to provide for salary, bonus and other benefits, including accelerated equity vesting upon a change in control and severance upon a termination of employment under certain circumstances. The terms of these employment agreements have not yet been determined.

Sublease Agreement

In connection with the formation transactions, American Assets, Inc., which is indirectly controlled by Mr. Rady, will sublease to us an interest in approximately square feet of its square foot lease at Torrey Reserve—ICW Plaza, which is where we will maintain our principal executive offices. Pursuant to this sublease agreement, we will pay rent to American Assets, Inc. at a rate that is expected to be equal to or less than prevailing rents within this submarket. The sublease will be for a -year term, with -year extension options exercisable by us. The rent payable under this sublease is expected to be approximately $ per year for the initial term of the sublease.

Management Business Contribution Agreement

We will succeed to the property management business of American Assets, Inc. as a result of the contribution by American Assets, Inc., which is indirectly controlled by Mr. Rady, of the assets and liabilities associated with the property management business to its wholly owned subsidiary, American Assets Trust Management, LLC, and the subsequent contribution of its interest in that entity to our operating partnership in exchange for common units. Upon the consummation of the formation transactions, substantially all employees of American Assets, Inc. will be terminated by American Assets, Inc. and hired by our operating partnership, American Assets Trust Management, LLC or another affiliate of our operating partnership. These employees will receive offers of employment on substantially the same terms and conditions of their employment as were in effect immediately prior to this transition and will be eligible to participate in any employee benefit plans maintained following the consummation of this offering by our operating partnership, American Assets Trust Management, LLC, or such affiliate. The new employer will provide service credit to each transferred employee for all service with American Assets, Inc. under its employee benefit plans and programs. The transferred employees will roll over their accrued paid time off, flexible spending account balances and deferred compensation plan balances, subject to the requirements of applicable law and any restrictions on transfer set forth in the Code. Except as described above, American Assets, Inc. will retain all liabilities related to the transferred employees to the extent those liabilities arose prior to the closing of the foregoing transactions.

Transition Services Agreement

Our operating partnership has entered into a transition services agreement with American Assets, Inc., which is indirectly controlled by Mr. Rady, pursuant to which it and American Assets, Inc. have each agreed to provide the other with such services as the other shall reasonably request. Any party receiving services under this agreement shall reimburse the party providing such services for the fully loaded cost of providing such services and for any other actual and reasonable out of pocket expenses incurred in connection with providing such services. Either party may terminate this agreement upon 30-days' written notice.

Equity Incentive Award Plan

In connection with the formation transactions, we expect to adopt a cash and equity-based incentive award plan for our directors, officers, employees and consultants. We expect that an aggregate of shares of our common stock and common units will be available for issuance under awards granted pursuant to our 2010 Equity Incentive Award Plan. See "Executive Compensation—Equity Incentive Award Plan."

Indemnification of Officers and Directors

Effective upon completion of this offering, our charter and bylaws will provide for certain indemnification rights for our directors and officers and we will enter into an indemnification agreement with each of our executive officers and directors, providing for procedures for indemnification and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us or, at our request, service to other entities, as officers or directors to the maximum extent permitted by Maryland law. See "Management—Limitation of Liability and Indemnification."

POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of certain of our investment, financing and other policies. These policies have been determined by our board of directors and, in general, may be amended or revised from time to time by our board of directors without a vote of our stockholders.

Investment Policies

Investments in Real Estate or Interests in Real Estate

We will conduct all of our investment activities through our operating partnership and its subsidiaries. Our investment objectives are to maximize the cash flow of our properties, acquire properties with cash flow growth potential, provide quarterly cash distributions and achieve long-term capital appreciation for our stockholders through increases in the value of our company. Consistent with our policy to acquire assets for both income and capital gain, our operating partnership intends to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our investment objectives. We have not established a specific policy regarding the relative priority of these investment objectives. For a discussion of our properties and our acquisition and other strategic objectives, see “Business and Properties.”

We expect to pursue our investment objectives primarily through the ownership by our operating partnership of our portfolio of properties and other acquired properties and assets. We currently intend to invest primarily in retail, office, mixed-use and multifamily properties. Future investment or development activities will not be limited to any geographic area, property type or to a specified percentage of our assets. While we may diversify in terms of property locations, size and market, we do not have any limit on the amount or percentage of our assets that may be invested in any one property or any one geographic area. We intend to engage in such future investment activities in a manner that is consistent with the maintenance of our status as a REIT for U.S. federal income tax purposes. In addition, we may purchase or lease income-producing office or other types of properties for long-term investment, expand and improve the properties we presently own or other acquired properties, or sell such properties, in whole or in part, when circumstances warrant.

We may also participate with third parties in property ownership, through joint ventures or other types of co-ownership. We also may acquire real estate or interests in real estate in exchange for the issuance of common stock, units, preferred stock or options to purchase stock. These types of investments may permit us to own interests in larger assets without unduly restricting our diversification and, therefore, provide us with flexibility in structuring our portfolio. We will not, however, enter into a joint venture or other partnership arrangement to make an investment that would not otherwise meet our investment policies.

Equity investments in acquired properties may be subject to existing mortgage financing and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these properties. Debt service on such financing or indebtedness will have a priority over any dividends with respect to our common stock. Investments are also subject to our policy not to fall within the definition of an “investment company” under the Investment Company Act of 1940, as amended, or the 1940 Act.

Investments in Real Estate Mortgages

While our portfolio consists of, and our business objectives emphasize, equity investments in retail, office, mixed-use and multifamily properties, we may, at the discretion of our board of directors and without a vote of our stockholders, invest in mortgages and other types of real estate interests in a manner that is consistent with our qualification as a REIT. We do not presently intend to invest in mortgages or deeds of trust, but may invest in participating or convertible mortgages if we conclude that we may benefit from the gross revenues or any appreciation in value of the property. If we choose to invest in mortgages, we would expect to invest in mortgages secured by retail, office, mixed-use or multifamily properties. However, there is no restriction on the

proportion of our assets that may be invested in a type of mortgage or any single mortgage or type of mortgage loan. Investments in real estate mortgages run the risk that one or more borrowers may default under the mortgages and that the collateral securing those mortgages may not be sufficient to enable us to recoup our full investment.

Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Subject to the percentage of ownership limitations and the income and asset tests necessary for REIT qualification, we may in the future invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers where such investment would be consistent with our investment objectives. We may invest in the debt or equity securities of such entities, including for the purpose of exercising control over such entities. We have no current plans to invest in entities that are not engaged in real estate activities. While we may attempt to diversify our investments with respect to the retail, office, mixed-use and multifamily owned by such entities, in terms of property locations, size and market, we do not have any limit on the amount or percentage of our assets that may be invested in any one entity, property or geographic area. Our investment objectives are to maximize cash flow of our investments, acquire investments with growth potential and provide cash distributions and long-term capital appreciation to our stockholders through increases in the value of our company. We have not established a specific policy regarding the relative priority of these investment objectives. We will limit our investment in such securities so that we will not fall within the definition of an "investment company" under the 1940 Act.

Investments in Other Securities

Other than as described above, we do not intend to invest in any additional securities such as bonds, preferred stocks or common stock.

Dispositions

We do not currently intend to dispose of any of our properties, although we reserve the right to do so if, based upon management's periodic review of our portfolio, our board of directors determines that such action would be in our best interests. The tax consequences to our directors and executive officers who hold units resulting from a proposed disposition of a property may influence their decision as to the desirability of such proposed disposition. See "Risk Factors—Risks Related to Our Organizational Structure—Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our stockholders."

Financings and Leverage Policy

Upon completion of this offering, we will use significant amounts of cash to repay mortgage indebtedness on certain of the properties in our portfolio. Other uses of proceeds from this offering are described in greater detail under "Use of Proceeds" elsewhere in this prospectus. In the future, however, we anticipate using a number of different sources to finance our acquisitions and operations, including cash flows from operations, asset sales, seller financing, issuance of debt securities, private financings (such as additional bank credit facilities, which may or may not be secured by our assets), property-level mortgage debt, common or preferred equity issuances or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We also may take advantage of joint venture or other partnering opportunities as such opportunities arise in order to acquire properties that would otherwise be unavailable to us. We may use the proceeds of our borrowings to acquire assets, to refinance existing debt or for general corporate purposes.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition

of assets, to refinance existing debt or for general corporate purposes. We expect to use leverage conservatively, assessing the appropriateness of new equity or debt capital based on market conditions, including prudent assumptions regarding future cash flow, the creditworthiness of tenants and future rental rates. Our charter and bylaws do not limit the amount of debt that we may incur. Our board of directors has not adopted a policy limiting the total amount of debt that we may incur.

Our board of directors will consider a number of factors in evaluating the amount of debt that we may incur. If we adopt a debt policy, our board of directors may from time to time modify such policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our stockholders, and we are not restricted by our governing documents or otherwise in the amount of leverage that we may use.

Lending Policies

We have not made any loans to third parties, although we do not have a policy limiting our ability to make loans to other persons. We may consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be received by us for the property sold. We also may make loans to joint ventures in which we participate. However, we do not intend to engage in significant lending activities. Any loan we make will be consistent with maintaining our status as a REIT.

Equity Capital Policies

To the extent that our board of directors determines to obtain additional capital, we may issue debt or equity securities, including additional units or senior securities of our operating partnership, retain earnings (subject to provisions in the Code requiring distributions of income to maintain REIT qualification) or pursue a combination of these methods. As long as our operating partnership is in existence, we will generally contribute the proceeds of all equity capital raised by us to our operating partnership in exchange for additional interests in our operating partnership, which will dilute the ownership interests of the limited partners in our operating partnership.

Existing stockholders will have no preemptive rights to common or preferred stock or units issued in any securities offering by us, and any such offering might cause a dilution of a stockholder’s investment in us. Although we have no current plans to do so, we may in the future issue shares of common stock or units in connection with acquisitions of property.

We may, under certain circumstances, purchase shares of our common stock or other securities in the open market or in private transactions with our stockholders, provided that those purchases are approved by our board of directors. Our board of directors has no present intention of causing us to repurchase any shares of our common stock or other securities, and any such action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualification as a REIT.

Conflict of Interest Policies

Overview. Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its other partners under Maryland law and the partnership agreement in connection with the management of our operating partnership. Our fiduciary duties and obligations, as the general partner of our operating partnership, may come into conflict with the duties of our directors and officers to our company.

Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistently with the obligation of good faith and fair dealing. The duty of loyalty requires a general partner of a Maryland general partnership to account to the partnership and hold as trustee for it any property, profit, or benefit derived by the general partner in the conduct of the partnership business or derived from a use by the general partner of partnership property, including the appropriation of a partnership opportunity, to refrain from dealing with the partnership in the conduct of the partnership's business as or on behalf of a party having an interest adverse to the partnership and to refrain from competing with the partnership in the conduct of the partnership business, although the partnership agreement may identify specific types or categories of activities that do not violate the duty of loyalty. The partnership agreement provides that, in the event of a conflict between the interests of our operating partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our operating partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of the operating partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our operating partnership, owe to the operating partnership and its partners. The duty of care requires a general partner to refrain from engaging in grossly negligent or reckless conduct, intentional misconduct or a knowing violation of law, and this duty may not be unreasonably reduced by the partnership agreement.

The partnership agreement provides that we are not be liable to our operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by our operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. The partnership agreement also provides that any obligation or liability in our capacity as the general partner of our operating partnership that may arise at any time under the partnership agreement or any other instrument, transaction or undertaking contemplated by the partnership agreement will be satisfied, if at all, out of our assets or the assets of our operating partnership only, and no obligation or liability of the general partner will be personally binding upon any of our directors, stockholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise, and none of our directors or officers will be liable or accountable in damages or otherwise to the partnership, any partner or any assignee of a partner for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or any act or omission. Our operating partnership must indemnify us, our directors and officers, officers of our operating partnership and any other person designated by us against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, that relate to the operations of the operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which such person actually received an improper personal benefit in violation or breach of any provision of the partnership agreement, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action.

No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify or reduce the fiduciary duties and obligations of a general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce our fiduciary duties that would be in effect were it not for the partnership agreement.

Sale or Refinancing of Properties. Upon the sale of certain of the properties to be owned by us at the completion of the formation transactions, certain unitholders could incur adverse tax consequences which are different from the tax consequences to us and to holders of our common stock. Consequently, unitholders may have differing objectives regarding the appropriate pricing and timing of any such sale or repayment of indebtedness.

While we will have the exclusive authority under the partnership agreement to determine whether, when, and on what terms to sell a property or when to refinance or repay indebtedness, any such decision would require the approval of our board of directors. In addition, our operating partnership has agreed to indemnify certain limited partners for their tax liabilities (plus an additional amount equal to the taxes incurred as a result of such indemnity payment) attributable to their share of the built-in gain, as of the closing of the formation transactions, with respect to their interest in the tax protected properties, if the operating partnership, without the consent of Mr. Rady, disposes of any interest with respect to such properties in a taxable transaction during the shorter of the seven-year period after the closing of the formation transactions and the date on which 50% or more of the common units originally received by any such protected partner in the formation transactions have been sold, exchanged or otherwise disposed of by the protected partner, subject to certain exceptions and limitations.

Policies Applicable to All Directors and Officers. Our charter and bylaws do not restrict any of our directors, officers, stockholders or affiliates from having a pecuniary interest in an investment or transaction that we have an interest in or from conducting, for their own account, business activities of the type we conduct. We intend, however, to adopt policies that are designed to eliminate or minimize potential conflicts of interest, including a policy for the review, approval or ratification of any related party transactions. This policy will provide that the audit committee of our board of directors will review the relevant facts and circumstances of each related party transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party before approving such transaction. We will also adopt a code of business conduct and ethics, which will provide that all of our directors, officers and employees are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without our consent. See "Management—Code of Business Conduct and Ethics." However, we cannot assure you that these policies or provisions of law will always be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all stockholders.

Interested Director and Officer Transactions

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof, provided that:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board, and our board or such committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;

- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the transaction or contract is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm or other entity; or

- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Furthermore, under Maryland law (where our operating partnership is formed), we, as general partner, have a fiduciary duty of loyalty to our operating partnership and its partners and, consequently, such transactions also are subject to the duties that we, as general partner, owe to the operating partnership and its limited partners (as such duty has been modified by the partnership agreement). We will also adopt a policy that requires that all contracts and transactions between us, our operating partnership or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of our disinterested directors even if less than a quorum. Where appropriate, in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion or engage independent counsel to represent the interests of non-affiliated security holders, although our board of directors will have no obligation to do so.

Policies With Respect To Other Activities

We will have authority to offer common stock, preferred stock or options to purchase stock in exchange for property and to repurchase or otherwise acquire our common stock or other securities in the open market or otherwise, and we may engage in such activities in the future. As described in “Description of the Partnership Agreement of American Assets Trust, L.P.,” we expect, but are not obligated, to issue common stock to holders of common units upon exercise of their redemption rights. Except in connection with the initial capitalization of our company and our operating partnership, the formation transactions or employment agreements, we have not issued common stock, units or any other securities in exchange for property or any other purpose, and our board of directors has no present intention of causing us to repurchase any common stock. Our board of directors has the authority, without further stockholder approval, to amend our charter to increase or decrease the number of authorized shares of common stock or preferred stock and authorize us to issue additional shares of common stock or preferred stock, in one or more series, including senior securities, in any manner, and on the terms and for the consideration, it deems appropriate. See “Description of Securities.” We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers other than our operating partnership and do not intend to do so. At all times, we intend to make investments in such a manner as to qualify as a REIT, unless because of circumstances or changes in the Code, or the Treasury regulations, our board of directors determines that it is no longer in our best interest to qualify as a REIT. In addition, we intend to make investments in such a way that we will not be treated as an investment company under the 1940 Act.

Reporting Policies

We intend to make available to our stockholders our annual reports, including our audited financial statements. After this offering, we will become subject to the information reporting requirements of the Exchange Act. Pursuant to those requirements, we will be required to file annual and periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

STRUCTURE AND FORMATION OF OUR COMPANY

Our Operating Entities

Our Operating Partnership

Following the completion of this offering and the formation transactions, substantially all of our assets will be held by, and our operations will be conducted through, our operating partnership. We will contribute the net proceeds from this offering to our operating partnership in exchange for common units therein. Our interest in our operating partnership will generally entitle us to share in cash distributions from, and in the profits and losses of, our operating partnership in proportion to our percentage ownership. As the sole general partner of our operating partnership, we will generally have the exclusive power under the partnership agreement to manage and conduct its business and affairs, subject to certain limited approval and voting rights of the limited partners, which are described more fully below in "Description of the Partnership Agreement of American Assets Trust, L.P." Our board of directors will manage our business and affairs.

Beginning on or after the date which is 14 months after the completion of this offering, each limited partner of our operating partnership will have the right to require our operating partnership to redeem part or all of its common units for cash, based upon the value of an equivalent number of shares of our common stock at the time of the redemption, or, at our election, shares of our common stock on a one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled "Description of Securities—Restrictions on Ownership and Transfer." With each redemption of common units, our percentage ownership interest in our operating partnership and our share of our operating partnership's cash distributions and profits and losses will increase. See "Description of the Partnership Agreement of American Assets Trust, L.P."

Our Services Company

As part of our formation transactions, we formed American Assets Trust Services, Inc., or our services company, a Delaware corporation that is wholly owned by our operating partnership. We will elect with our services company to treat it as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a taxable REIT subsidiary may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated. See "Federal Income Tax Considerations—Taxation of Our Company—Ownership of Interests in Taxable REIT Subsidiaries." We may form additional taxable REIT subsidiaries in the future, and our operating partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. Any income earned by our taxable REIT subsidiaries will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. See "Federal Income Tax Considerations—Taxation of Our Company—Income Tests." Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable) as a corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries.

Formation Transactions

Each property that will be owned by us through our operating partnership upon the completion of this offering and the formation transactions is currently owned directly or indirectly by partnerships, limited liability companies or corporations in which Ernest S. Rady and his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, our other directors and executive officers and their affiliates and/or other third parties own a direct or indirect interest. We refer to these partnerships, limited liability companies and

corporations collectively as the "ownership entities." The current owners of the ownership entities, whom we refer to as the "prior investors," have (1) entered into contribution agreements with us or our operating partnership, pursuant to which they will contribute their interests in the ownership entities to us or our operating partnership or its subsidiaries, or (2) caused the ownership entities to enter into merger agreements pursuant to which the ownership entities will merge with and into us, our operating partnership or certain of our or our operating partnership's subsidiaries (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities), in each case substantially concurrently with the completion of this offering. To the extent that we are party directly to certain mergers in the formation transactions, we will contribute the assets received in such merger transactions to our operating partnership in exchange for common units. In addition, in connection with such transactions, American Assets, Inc. will contribute its property management business, which we refer to as the "property management business," to our operating partnership in exchange for common units pursuant to a contribution agreement. The prior investors will receive cash, shares of our common stock and/or common units in exchange for their interests in the ownership entities. See "Certain Relationships and Related Transactions." The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or investors, on the other hand, and will be determined based on a relative equity valuation analysis of all of the properties included in our portfolio and the property management business. We have not obtained independent third-party appraisals of the properties in our portfolio. See "—Our Structure—Determination of Consideration Payable for Our Properties." These formation transactions are designed to:

- consolidate the ownership of our portfolio under our company and our operating partnership;
- cause us to succeed to the property management business of American Assets, Inc.;
- facilitate this offering;
- enable us to raise necessary capital to repay existing indebtedness related to certain properties in our portfolio;
- enable us to qualify as a REIT for federal income tax purposes commencing with the taxable year ending December 31, 2010;
- defer the recognition of taxable gain by certain prior investors; and
- enable prior investors to obtain liquidity for their investments.

Each of the prior investors has a substantive, pre-existing relationship with us and consented, prior to the filing of the registration statement of which this prospectus is a part with the SEC, to the contribution or merger of the ownership entity or entities in which he or she holds an investment and made an election to receive shares of our common stock and/or common units in the formation transactions. All prior investors receiving shares of our common stock and/or common units are "accredited investors" as defined under Regulation D of the Securities Act. The issuance of such shares and units will be effected in reliance upon exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D of the Securities Act.

Pursuant to the formation transactions, the following have occurred or will occur substantially concurrently with the completion of this offering.

- We were formed as a Maryland corporation on July 16, 2010.
- American Assets Trust, L.P., our operating partnership, was formed as a Maryland limited partnership on July 16, 2010.

- We will sell shares of our common stock in this offering and an additional shares if the underwriters exercise their overallotment option in full, and we will contribute the net proceeds from this offering to our operating partnership in exchange for common units (or common units if the underwriters exercise their overallotment option in full).

- We will succeed to the property management business as a result of the contribution by American Assets, Inc., which is indirectly controlled by Mr. Rady, of the assets and liabilities associated with the property management business to its wholly owned subsidiary, American Assets Trust Management, LLC, and the subsequent contribution of its interest in that entity to our operating partnership in exchange for common units.

- We and our operating partnership will consolidate the ownership of our portfolio of properties by acquiring the entities that directly or indirectly own such properties or by acquiring interests in such entities through a series of forward and reverse merger transactions and contributions pursuant to merger agreements and contribution agreements each dated September 13, 2010, with such entities or the owners thereof. The value of the consideration to be paid to each of the owners of such entities in the formation transactions will be determined according to a formula set forth in such merger agreements and contribution agreements.

- Prior investors in the merged and contributed entities (including Messrs. Rady, Chamberlain and Barton and their respective affiliates) will receive as consideration for such mergers and contributions shares of our common stock, common units, or in the case of non-accredited investors in such entities, $ in cash in accordance with the terms of the relevant merger and/or contribution agreements. The aggregate value of common stock and common units to be paid to prior investors in such entities at the mid-point of the range of prices shown on the cover of this prospectus is $. This value will increase or decrease if our common stock is priced above or below the mid-point of the range of prices shown on the cover of this prospectus. Investors who are not “accredited investors,” as defined under Regulation D of the Securities Act, will receive cash consideration rather than shares of our common stock or common units to ensure that the issuance of common stock and/or common units to accredited investors in the formation transactions can be effected in reliance upon an exemption from registration provided by Section 4(2) and Regulation D of the Securities Act.

- The Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, has entered into a representation, warranty and indemnity agreement, pursuant to which it has made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. For purposes of satisfying any indemnification claims, the Rady Trust will deposit into escrow shares of our common stock and/or common units with an aggregate value equal to ten percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions. The Rady Trust has no obligation to increase the amount of common stock and/or common units in the escrow in the event the trading price of our common stock declines below the initial public offering price. Any and all amounts remaining in the escrow one year from the closing of the formation transactions will be distributed to the Rady Trust to the extent that indemnity claims have not been made against such amounts. This indemnification is subject to a one-time aggregate deductible equal to one percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions and a cap equal to the value of the consideration deposited in the escrow. Other than the Rady Trust, none of the prior investors or the entities that we are acquiring in the formation transactions will provide us with any indemnification.

- The current management team of American Assets, Inc. will become our senior management team, and the current real estate professionals employed by American Assets, Inc. will become our employees.

- Our operating partnership intends to use a portion of the net proceeds of this offering to repay approximately $341.4 million of outstanding indebtedness, including applicable prepayment costs, exit fees and defeasance costs of $24.3 million. As a result of the foregoing use of proceeds, we expect to have approximately $879.9 million of total debt outstanding upon completion of this offering and the formation transactions. We determined the loans to be repaid based upon our determination of which would be economically prudent to repay, taking account the maturity dates, interest rates and prepayment costs, exit fees and defeasance costs associated with the various outstanding loans.

- In conjunction with this offering, we anticipate entering into an agreement for a $ million revolving credit facility. We expect to use this facility to fund future capital expenditures related to lease-up, acquisitions and for general corporate purposes.

- In connection with the foregoing transactions, we expect to adopt a cash and equity-based incentive award plan and other incentive plans for our directors, officers, employees and consultants. We expect that an aggregate of shares of our common stock will be available for issuance under awards granted pursuant to the 2010 Plan. See “Executive Compensation—Equity Incentive Award Plan.”

Consequences of this Offering and the Formation Transactions

The completion of this offering and the formation transactions will have the following consequences. All amounts are based on the mid-point of the range set forth on the cover of this prospectus:

- Through our interest in our operating partnership and its wholly owned subsidiaries, we will indirectly own a 100% fee simple interest in all of the properties in our portfolio and will operate all of the properties in our portfolio other than Waikiki Beach Walk, which will be operated by Outrigger.

- We will indirectly own our services company through our operating partnership, which will own 100% of its common stock.

- Purchasers of shares of our common stock in this offering will own % of our outstanding common stock, or % on a fully diluted basis (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters’ overallotment option is exercised in full).

- The prior investors in the entities that own the properties in our portfolio, including Mr. Rady and his affiliates and our executive officers, will own % of our outstanding common stock, or % on a fully diluted basis (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters’ overallotment option is exercised in full).

- We will be the sole general partner of our operating partnership. We will own % of the outstanding common units of partnership interest in our operating partnership, and the prior investors in the entities that own the properties in our portfolio, including Mr. Rady and his affiliates and our executive officers, will own % of the outstanding common units. If the underwriters’ overallotment option is exercised in full, we will own % of the outstanding common units and the prior investors in the entities that own the properties in our portfolio, including Mr. Rady and his affiliates and our executive officers, will own %.

- We expect to have total consolidated indebtedness of approximately $879.9 million.

- To the extent that an ownership entity has an excess of net working capital over target net working capital (as set forth below) as determined by us within 45 days prior to the date of the preliminary

prospectus in connection with this offering, the amount of such excess shall be due to the prior owners of such ownership entity following the completion of the offering, including Mr. Rady and his affiliates and our other directors and executive officers and their affiliates who are prior investors. To the extent not distributed or paid by such ownership entity prior to the completion of this offering, our operating partnership shall pay such amounts on behalf of each such ownership entity promptly after the completion of this offering. For purposes of this calculation the target net working capital of each ownership entity will be zero, other than with respect to certain ownership entities holding interests in Waikiki Beach Walk – Retail and the Waikiki Beach Walk – Embassy Suites™. With respect to Waikiki Beach Walk – Retail, ABW Lewers LLC will have a target net working capital of $5,000,000, and with respect to the Waikiki Beach Walk – Embassy Suites™, each of EBW Hotel, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC and Waikele Venture Holdings, LLC will have a target net working capital of $2,050,000, $766,500, $470,000 and $1,713,500, respectively. Therefore, any such amounts will not be included in the assets that we acquire in the formation transactions.

Benefits of the Formation Transactions to Related Parties

In connection with this offering and the formation transactions, Mr. Rady, our Executive Chairman, and certain of our other directors and executive officers will receive material benefits described in "Certain Relationships and Related Transactions," including the following. All amounts are based on the mid-point of the range set forth on the cover page of this prospectus:

- Mr. Rady, our Executive Chairman, and his affiliates, including the Rady Trust, will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Rady and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full. In addition, Mr. Rady and his affiliates will receive an aggregate of approximately $ million in cash, as discussed in the bullets below.

- In connection with the formation transactions, we will repay in cash from the proceeds of this offering (1) approximately $4.9 million in notes payable to certain of the prior investors in Del Monte Center and (2) approximately $350,000 in notes payable to certain prior investors in Torrey Reserve Campus. In their capacity as direct or indirect owners of the entities that own Del Monte Center and the Torrey Reserve Campus, Mr. Rady and his affiliates will receive approximately $3.8 million and $30,000, respectively, of these amounts.

- In connection with the formation transactions, Mr. Rady and his affiliates will receive an estimated $ million of cash as a result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Rady and his affiliates are prior investors, as described above.

- Mr. Chamberlain, our Chief Executive Officer and director, and his affiliates will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Chamberlain and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full.

- In connection with the formation transactions, Mr. Chamberlain and his affiliates will receive an estimated $ million of cash as the result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Chamberlain and his affiliates are prior investors, as described above.

- Mr. Barton, our Chief Financial Officer, and his affiliates will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Barton and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full.

- In connection with the formation transactions, Mr. Barton and his affiliates will receive an estimated $ million of cash as the result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Barton and his affiliates are prior investors, as described above.

- The Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $75.4 million of indebtedness, in the aggregate, with respect to Waikele Center, Waikiki Beach Walk—Embassy Suites™, 160 King Street, The Landmark at One Market and Valencia Corporate Center. All of the indebtedness underlying the foregoing guaranteed amounts will be repaid with proceeds from this offering and, as a result, the Rady Trust and these other affiliates of Mr. Rady will be released from these guarantee obligations. In addition, the Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $879.9 million of indebtedness, in the aggregate, that will be assumed by us upon completion of this offering. The guarantees with respect to substantially all of this indebtedness are limited to losses incurred by the applicable lender arising from a borrower's fraud, intentional misrepresentation or other "bad acts," a borrower's bankruptcy, a prohibited transfer under the loan documents or losses arising from a borrower's breach of certain environmental covenants. In connection with this assumption, we will seek to have the Rady Trust and such other affiliates of Mr. Rady released from such guarantees and to have our operating partnership assume any such guarantee obligations as replacement guarantor. To the extent lenders do not consent to the release of the Rady Trust and or such other affiliates of Mr. Rady, and the Rady Trust and such other affiliates remain guarantors on assumed indebtedness following the IPO, our operating partnership will enter into a reimbursement agreement with the Rady Trust and such affiliates, pursuant to which our operating partnership will be obligated to reimburse the Rady Trust and such other affiliates of Mr. Rady for any amounts paid by them under guarantees with respect to the assumed indebtedness.

- We will enter into a tax protection agreement with certain limited partners of our operating partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, pursuant to which we agree to indemnify such limited partners against adverse tax consequences in connection with: (1) our sale of Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza portion of Torrey Reserve in a taxable transaction until the seventh anniversary of the closing of the formation transactions; and (2) our failure to provide certain limited partners the opportunity to guarantee certain debt of our operating partnership during such period, or following such period, our failure to use commercially reasonable efforts to provide such opportunities; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. Notwithstanding the foregoing, the operating partnership's indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain will have the opportunity to guarantee up to $ million, and $ million, respectively, of our outstanding indebtedness, pursuant to the tax protection agreement.

- In connection with the completion of this offering, we will enter into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions, including Mr. Rady his affiliates, immediate family members and related trusts and certain of our other directors and executive officers and their affiliates. Under the

registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of this offering, we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the resale of the shares of our common stock issued or issuable, at our option, in exchange for common units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act in lieu of our operating partnership's obligation to pay cash for such units. Commencing one year after the date of this offering (but prior to the date upon which the registration statement described above is effective) or 16 months after the date of this offering if the shelf registration statement described above is not then effective, Mr. Rady and his affiliates, immediate family members and related trusts will have demand rights to require us to undertake an underwritten offering under a resale registration statement (so long as a majority-in-interest of such group makes such a demand). In addition, if we file a registration statement with respect to an underwritten offering for our own account, any of Mr. Rady and his affiliates, immediate family members and related trusts will have the right, subject to certain limitations, to register such number of shares of our common stock issued to him or her pursuant to the formation transactions as each such person requests. Commencing upon our filing of a resale registration statement not later than 14 months after the date of this offering, under certain circumstances, we will also be required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided the securities to be registered in such offering shall (1) have a market value of at least $25 million or (2) shall represent all of the remaining securities acquired in the formation transactions by Mr. Rady and his affiliates, immediate family members and related trusts and such securities shall have a market value of at least $10 million, and provided further that we are not obligated to effect more than three such underwritten offerings. We will agree to pay all of the expenses relating to the securities registrations described above. See "Shares Eligible for Future Sale—Registration Rights."

- We may enter into employment agreements with certain of our executive officers that would become effective as of the closing of this offering, which would be expected to provide for salary, bonus and other benefits, including accelerated equity vesting upon a change in control and severance upon a termination of employment under certain circumstances. The material terms of the agreements with our named executive officers are described under "Executive Compensation—Employment Agreements" and "Executive Compensation—Compensation Tables—Narrative Disclosure to Summary Compensation Table."

- We intend to enter into indemnification agreements with directors and executive officers at the closing of this offering, providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us or, at our request, service to other entities, as officers or directors.

- We intend to adopt our 2010 Equity Incentive Award Plan, under which we may grant cash or equity incentive awards to our directors, officers, employees and consultants. See "Executive Compensation—Equity Incentive Award Plan."

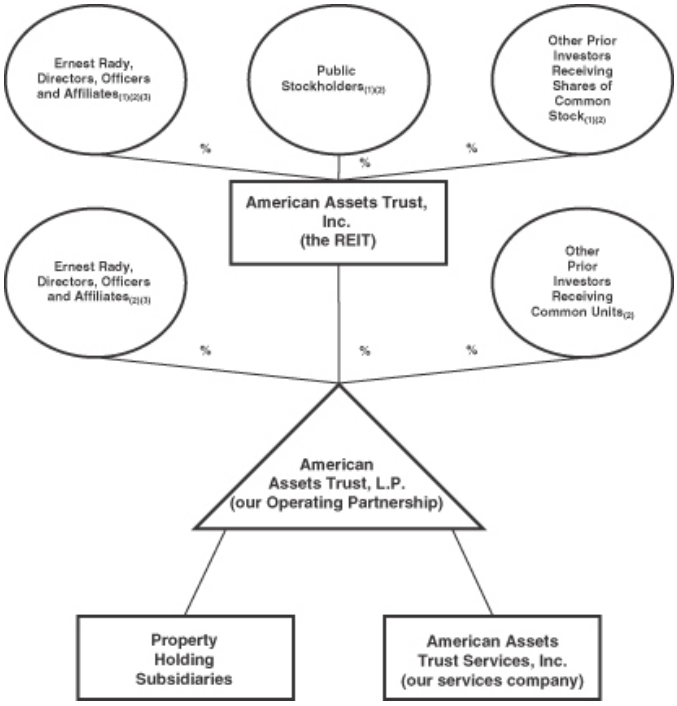
Cost of Recent Acquisitions

In June 2010, the Rady Trust purchased a 99% indirect ownership interest in Landmark Venture JV, LLC, which indirectly owns an approximately 66.2% interest in The Landmark at One Market, for approximately $23.0 million. In connection with the formation transactions, we will acquire all of the indirect interests in Landmark Venture JV, LLC acquired by the Rady Trust in June 2010 for shares of common stock and/or

common units with an aggregate value equal to $ million (based on the mid-point of the range set forth on the cover of this prospectus). In addition, in August 2010, a family trust established by Mr. Barton acquired an approximately 2.1% interest in Landmark Assets, Inc., which owns the remaining 1% interest in Landmark Venture JV, LLC, for $3,500. In connection with the formation transactions, we will acquire all of the interests in Landmark Assets, Inc. acquired by this Barton family trust in August 2010 for shares of common stock and/or common units with an aggregate value equal to $ (based on the mid-point of the range set forth on the cover of this prospectus). The value of the consideration that we will pay for these interests will be determined according to the applicable merger agreements and/or contribution agreements in the manner described above under "—Formation Transactions." In addition to the foregoing, we have also exercised an option to purchase an approximately 80,000 rentable square foot building vacated by Mervyn's, which is located at Carmel Mountain Plaza, for approximately $13.2 million.

Our Structure

The following diagram depicts our expected ownership structure upon completion of this offering and the formation transactions. Our operating partnership will own the various properties in our portfolio directly or indirectly, and in some cases through special purpose entities that were created in connection with various financings.



(1) On a fully diluted basis, our public stockholders will own % of our outstanding common stock, Mr. Rady and his affiliates, our other executive officers and directors and their affiliates will own % of our outstanding common stock and the other prior investors in the entities that own the properties in our portfolio as a group will own % of our outstanding common stock. If the underwriters exercise their overallotment option in full, on a fully diluted basis, our public stockholders will own % of our outstanding common stock, Mr. Rady and his affiliates, our other executive officers and directors and their affiliates will own % of our outstanding common stock and the other prior investors in the entities that own properties in our portfolio as a group will own % of our outstanding common stock.

(2) If the underwriters exercise their overallotment option in full, our public stockholders, Mr. Rady and his affiliates, our other executive officers and directors and their affiliates and the other prior investors in the entities that own the properties in our portfolio will own %, %, % and %, respectively, of our outstanding common stock, and Mr. Rady and his affiliates, our other executive officers and directors and their affiliates and other prior investors in the entities that own the properties in our portfolio will own %, % and %, respectively, of the outstanding common units.

(3) Mr. Rady's affiliates are: Ernest Rady Trust U/D/T March 10, 1983; Donald R. Rady Trust; Harry M. Rady Trust; Margo S. Rady Trust; DHM Trust dated as of 29th of May 1959; and American Assets, Inc. Mr. Chamberlain's affiliates are Trust C of the W.E. & B.M. Chamberlain Trust and The John W. and Rebecca S. Chamberlain Trust. Mr. Barton's affiliate is the Robert and Katherine Barton Living Trust. See "Principal Stockholders."

Determination of Consideration Payable for Our Properties

We will acquire the direct or indirect ownership of each of the properties in our portfolio in connection with the formation transactions. The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or prior investors, on the other hand. In all cases, the aggregate value of consideration to be paid to each investor will be determined by applying his or her allocated share of ownership in each applicable property to the equity value of such property. The equity value of each property will be determined by applying the results of a relative equity valuation analysis of the properties and the property management business, which valuation analysis was conducted by an independent third-party valuation specialist, to the total value of our portfolio and the property management business, as determined upon pricing of this offering. The actual value of the consideration to be paid by us to each of the prior investors, in the form of common stock, common units or cash (in the case of non-accredited investors), ultimately will be determined at pricing based on the initial public offering price of our common stock, which will be determined as described below under the heading "—Determination of Offering Price."

This calculation of the value of the consideration to be paid to each of the prior investors in the formation transactions, as described above, is further subject to adjustment to account for the existence of certain unsecured indebtedness related to the applicable properties and for changes in indebtedness related to the applicable properties. As part of the formation transactions, intercompany indebtedness obligations between or among ownership entities and the prior investors will be settled as an adjustment to the formation transaction consideration otherwise recievable by or payable to prior investors who were debtors or lenders or who held interests in ownership entities that were debtors or lenders, with respect to such debt obligations. The number of units or shares to be issued to each prior investor will be equal to (1) the value of the consideration to be received by him or her, divided by (2) the initial public offering price of our common stock.

We have not obtained independent third-party appraisals of the properties in our portfolio. Accordingly, there can be no assurance that the fair market value of the cash and equity securities that we pay or issue to the prior investors will not exceed the fair market value of the properties and other assets acquired by us in the formation transactions. See "Risk Factors—Risks Related to Our Properties and Our Business—The value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined, net tangible book value of approximately $126.6 million as of June 30, 2010."

Determination of Offering Price

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the representatives of the underwriters and us. In determining the initial public offering price of our common stock, the representatives of the underwriters will consider, among other things, the history and prospects for the industry in which we compete, our results of operations, the ability of our management, our business potential and earnings prospects, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the prevailing securities markets at the time of this offering, the recent market prices of, and the demand for, publicly traded shares of companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to the book value of the properties and assets to be acquired in the formation transactions, our financial condition or any other established criteria of value and may not be indicative of the market price for our common stock after this offering.

DESCRIPTION OF THE PARTNERSHIP AGREEMENT OF AMERICAN ASSETS TRUST, L.P.

Although the following summary describes the material terms and provisions of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., which we refer to as the "partnership agreement," it is not a complete description of the Maryland Revised Uniform Limited Partnership Act or the partnership agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part and is available from us upon request. See "Where You Can Find More Information." For purposes of this section, references to "we," "our," "us" and "our company" refer to American Assets Trust, Inc.

General

Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership, either directly or through its subsidiaries. We are the sole general partner of our operating partnership and, upon completion of this offering, the formation transactions and the other transactions described in this prospectus, common units will be outstanding and we will own % of the outstanding common units. In connection with the formation transactions, we will enter into the partnership agreement and prior investors in our portfolio who elect to receive common units in the formation transactions will be admitted as limited partners of our operating partnership. Our operating partnership is also authorized to issue a class of units of partnership interest designated as LTIP units, which have the terms described below. The provisions of the partnership agreement described below and elsewhere in the prospectus will be in effect after the completion of the formation transactions and this offering. We do not intend to list the common units on any exchange or any national market system.

Provisions in the partnership agreement may delay or make more difficult unsolicited acquisitions of us or changes in our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions also make it more difficult for third parties to alter the management structure of our operating partnership without the concurrence of our board of directors. These provisions include, among others:

- redemption rights of limited partners and certain assignees of common units;
- transfer restrictions on units and other partnership interests;
- a requirement that we may not be removed as the general partner of our operating partnership without our consent;
- our ability in some cases to amend the partnership agreement and to cause our operating partnership to issue preferred partnership interests in our operating partnership with terms that we may determine, in either case, without the approval or consent of any limited partner; and
- the rights of the limited partners to consent to certain direct or indirect transfers of our interest in our operating partnership, including in connection with certain mergers, consolidations and other business combinations involving us, recapitalizations and reclassifications of our outstanding stock and issuances of our stock that require approval of our stockholders.

Purpose, Business and Management

Our operating partnership is formed for the purpose of conducting any business, enterprise or activity permitted by or under the Maryland Revised Uniform Limited Partnership Act. Our operating partnership may enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar

arrangement and may own interests in any other entity engaged in any business permitted by or under the Maryland Revised Uniform Limited Partnership Act. However, our operating partnership may not, without our specific consent, which we may give or withhold in our sole and absolute discretion, take, or refrain from taking, any action that, in our judgment, in our sole and absolute discretion:

- could adversely affect our ability to continue to qualify as a REIT;
- could subject us to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code; or
- could violate any law or regulation of any governmental body or agency having jurisdiction over us, our securities or our operating partnership.

In general, our board of directors will manage the business and affairs of our operating partnership by directing our business and affairs, in our capacity as the sole general partner of our operating partnership. Except as otherwise expressly provided in the partnership agreement and subject to the rights of holders of any class or series of partnership interest, all management powers over the business and affairs of our operating partnership are exclusively vested in us, in our capacity as the sole general partner of our operating partnership. No limited partner, in its capacity as a limited partner, has any right to participate in or exercise management power over our operating partnership's business, transact any business in our operating partnership's name or sign documents for or otherwise bind our operating partnership. We may not be removed as the general partner of our operating partnership, with or without cause, without our consent, which we may give or withhold in our sole and absolute discretion. In addition to the powers granted to us under applicable law or any provision of the partnership agreement, but subject to certain rights of holders of any class or series of partnership interest, we, in our capacity as the general partner of our operating partnership, have the full and exclusive power and authority to do all things that we deem necessary or desirable to conduct the business and affairs of our operating partnership, to exercise or direct the exercise of all of the powers of our operating partnership and to effectuate the purposes of our operating partnership without the approval or consent of any limited partner. We may authorize our operating partnership to incur debt and enter into credit, guarantee, financing or refinancing arrangements for any purpose, including, without limitation, in connection with any acquisition of properties, on such terms as we determine to be appropriate, and to acquire or dispose of any, all or substantially all of its assets (including goodwill), dissolve, merge, consolidate, reorganize or otherwise combine with another entity, without the approval or consent of any limited partner. With limited exceptions, we may execute, deliver and perform agreements and transactions on behalf of our operating partnership without the approval or consent of any limited partner.

Restrictions on General Partner's Authority

The partnership agreement prohibits us, in our capacity as general partner, from taking any action that would make it impossible to carry out the ordinary business of our operating partnership or performing any act that would subject a limited partner to liability as a general partner in any jurisdiction or any other liability except as provided under the partnership agreement. We may not, without the prior consent of the partners of our operating partnership (including us), amend, modify or terminate the partnership agreement, except for certain amendments that we may approve without the approval or consent of any limited partner, described in "—Amendment of the Partnership Agreement," and certain amendments described below that require the approval of each affected partner. We may not, in our capacity as the general partner of our operating partnership, without the consent of a majority in interest of the limited partners (excluding us and any limited partner 50% or more of whose equity is owned, directly or indirectly, by us):

- take any action in contravention of an express provision or limitation of the partnership agreement;
- transfer of all or any portion of our general partnership interest in our operating partnership or admit any person as a successor general partner, subject to the exceptions described in "—Transfers and Withdrawals—Restrictions on Transfers by the General Partner"; or

- voluntarily withdraw as the general partner.

Without the consent of each affected limited partner, we may not enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts us or our operating partnership from performing our or its specific obligations in connection with a redemption of units or expressly prohibits or restricts a limited partner from exercising its redemption rights in full. For the avoidance of doubt, because we have the right to elect to acquire common units tendered for redemption in exchange for shares of common stock, the approval of the limited partners generally should not be required in order for us or our operating partnership to enter into loan agreements which conditionally restrict our operating partnership from redeeming common units for cash. In addition to any approval or consent required by any other provision of the partnership agreement, we may not, without the consent of each affected partner, amend the partnership agreement or take any other action that would:

- convert a limited partner into a general partner;
- modify the limited liability of a limited partner;
- alter the rights of any partner to receive the distributions to which such partner is entitled, or alter the allocations specified in the partnership agreement, except to the extent permitted by the partnership agreement in connection with the creation or issuance of any new class or series of partnership interest;
- alter or modify the redemption rights of holders of common units or the related definitions specified in the partnership agreement;
- remove, alter or amend certain provisions of the partnership agreement relating to the requirements for us to qualify as a REIT or permitting us to avoid paying tax under Sections 857 or 4981 of the Code; or
- amend the provisions of the partnership agreement requiring the consent of each affected partner before taking any of the actions described above.

Additional Limited Partners

We may cause our operating partnership to issue additional units or other partnership interests and to admit additional limited partners to our operating partnership from time to time, on such terms and conditions and for such capital contributions as we may establish in our sole and absolute discretion, without the approval or consent of any limited partner, including:

- upon the conversion, redemption or exchange of any debt, units or other partnership interests or securities issued by our operating partnership;
- for less than fair market value; or
- in connection with any merger of any other entity into our operating partnership.

The net capital contribution need not be equal for all limited partners. We may cause our operating partnership to issue LTIP units for no consideration. Each person admitted as an additional limited partner must make certain representations to each other partner relating to, among other matters, such person’s ownership of any tenant of us or our operating partnership and the number of persons that may, as a result of such person’s admission as a limited partner, be treated as directly or indirectly owning an interest in our operating partnership. No person may be admitted as an additional limited partner without our consent, which we may give or withhold in our sole and absolute discretion, and no approval or consent of any limited partner is required in connection with the admission of any additional limited partner.

The partnership agreement authorizes our operating partnership to issue common units and LTIP units, and our operating partnership may issue additional partnership interests in one or more additional classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over the units) as we may determine, in our sole and absolute discretion, without the approval of any limited partner or any other person. Without limiting the generality of the foregoing, we may specify, as to any such class or series of partnership interest:

- the allocations of items of partnership income, gain, loss, deduction and credit to each such class or series of partnership interest;
- the right of each such class or series of partnership interest to share, on a junior, senior or pari passu basis, in distributions;
- the rights of each such class or series of partnership interest upon dissolution and liquidation of our operating partnership;
- the voting rights, if any, of each such class or series of partnership interest; and
- the conversion, redemption or exchange rights applicable to each such class or series of partnership interest.

Ability to Engage in Other Businesses; Conflicts of Interest

We may not conduct any business other than in connection with the ownership, acquisition and disposition of partnership interests, the management of the business and affairs of our operating partnership, our operation as a reporting company with a class (or classes) of securities registered under the Exchange Act, our operations as a REIT, the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, financing or refinancing of any type related to our operating partnership or its assets or activities and such activities as are incidental to those activities discussed above. In general, we must contribute any assets or funds that we acquire to our operating partnership in exchange for additional partnership interests. We may, however, in our sole and absolute discretion, from time to time hold or acquire assets in our own name or otherwise other than through our operating partnership so long as we take commercially reasonable measures to ensure that the economic benefits and burdens of such property are otherwise vested in our operating partnership.

Distributions

Our operating partnership will make distributions at such times and in such amounts, as we may in our sole and absolute discretion determine:

- first, with respect to any partnership interests that are entitled to any preference in distribution, in accordance with the rights of the holders of such class(es) or series of partnership interest, and, within each such class, among the holders of such class pro rata in proportion to their respective percentage interests of such class; and
- second, with respect to any partnership interests that are not entitled to any preference in distribution, including the common units and, except as described below under "—Special Allocations and Liquidating Distributions on LTIP Units" with respect to liquidating distributions and as may be provided in the 2010 Plan or any other incentive award plan, or any applicable award agreement, the LTIP units, in accordance with the rights of the holders of such class(es) or series of partnership interest, and, within each such class, among the holders of each such class, pro rata in proportion to their respective percentage interests of such class.

Distributions payable with respect to any units that were not outstanding during the entire quarterly period in respect of which a distribution is made, other than units issued to us in connection with the issuance of shares of our common stock, will be prorated based on the portion of the period that such units were outstanding.

Allocations

Except for the special allocations to holders of LTIP units described below under "Special Allocations and Liquidating Distributions on LTIP Units," and subject to the rights of the holders of any other class or series of partnership interest, net income or net loss of our operating partnership will generally be allocated to us, as the general partner, and to the limited partners in accordance with the partners' respective percentage ownership of the aggregate outstanding common units and LTIP units. Allocations to holders of a class or series of partnership interest will generally be made proportionately to all such holders in respect of such class or series. However, in some cases gain or loss may be disproportionately allocated to partners who have contributed appreciated property or guaranteed debt of our operating partnership. The allocations described above are subject to special rules relating to depreciation deductions and to compliance with the provisions of Sections 704(b) and 704(c) of the Code and the associated Treasury Regulations. See "Federal Income Tax Considerations—Taxation of our Company—Tax Aspects of Our Operating partnership, the Subsidiary Partnerships and the Limited Liability Companies."

Special Allocations and Liquidating Distributions on LTIP Units

A partner who receives units from the partnership has an initial capital account balance that is equal to the amount the partner paid (or contributed to our operating partnership) for its units and is subject to subsequent adjustments, including as the result of allocations of the partner's share of income or loss of our operating partnership. Because a holder of LTIP units generally will not pay for the LTIP units, the initial capital account balance attributable to such LTIP units will be zero. However, the partnership agreement provides that holders of LTIP units will receive special allocations of income in the event of a sale or "hypothetical sale" of the assets of our operating partnership, prior to the allocation of income to us or other holders of common units with respect to our or their common units. Such income will be allocated to holders of LTIP units to the extent necessary to cause the capital account of a holder of LTIP units to be economically equivalent to our capital account with respect to an equal number of common units. The term "hypothetical sale" does not refer to an actual sale of our operating partnership's assets, but refers to certain adjustments to the value of our operating partnership's assets and the partners' capital account balances, determined as if there had been a sale of such assets at their fair market value, as required by applicable Treasury Regulations. Further, we may delay or accelerate allocations to holders of LTIP units, or adjust the allocation of income or loss among the holders of LTIP units, so that, for the year during which each LTIP unit's distribution participation date falls, the ratio of the income and loss allocated to the LTIP unit to the total amounts distributed with respect to each such LTIP unit is more nearly equal to the ratio of the income and loss allocated to our common units to the amounts distributed to us with respect to our common units.

Because distributions upon liquidation of our operating partnership will be made in accordance with the partners' respective capital account balances, not numbers of units, LTIP units will not have full parity with common units with respect to liquidating distributions until the special allocations of income to the holders of LTIP units in the event of a sale or "hypothetical sale" of our operating partnership's assets causes the capital account of a holder of LTIP units to be economically equivalent to our capital account with respect to an equal number of common units. To the extent that there is not sufficient income to allocate to an LTIP unitholder's capital account to cause such capital account to become economically equivalent to our capital account with respect to an equal number of common units, or if such a sale or "hypothetical sale" does not occur, the holder's LTIP units will not achieve parity with common units with respect to liquidating distributions.

Borrowing by the Operating Partnership

We may cause our operating partnership to borrow money and to issue and guarantee debt as we deem necessary for the conduct of the activities of our operating partnership. Such debt may be secured, among other things, by mortgages, deeds of trust, liens or encumbrances on the properties of our operating partnership.

Reimbursements of Expenses; Transactions with General Partner and its Affiliates

We will not receive any compensation for our services as the general partner of our operating partnership. We have the same right to distributions as other holders of common units. In addition, our operating partnership must reimburse us for all amounts expended by us in connection with our operating partnership's business, including expenses relating to the ownership of interests in and management and operation of our operating partnership, compensation of officers and employees, including payments under future compensation plans that may provide for stock units, or phantom stock, pursuant to which our employees or employees of our operating partnership will receive payments based upon dividends on or the value of our common stock, director fees and expenses, any expenses (other than the purchase price) incurred by us in connection with the redemption or repurchase of shares of our preferred stock and our costs and expenses of being a public company, including costs of filings with the SEC, reports and other distributions to our stockholders. Our operating partnership must reimburse us for all expenses incurred by us relating to any offering of our stock, including any underwriting discounts or commissions, based on the percentage of the net proceeds from such issuance that we contribute or otherwise make available to our operating partnership. Any reimbursement will be reduced by the amount of any interest we earn on funds we hold on behalf of our operating partnership.

We and our affiliates may engage in any transactions with our operating partnership on such terms as we may determine in our sole and absolute discretion.

Exculpation and Indemnification of General Partner

The partnership agreement provides that we are not liable to our operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by our operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. The partnership agreement also provides that any obligation or liability in our capacity as the general partner of our operating partnership that may arise at any time under the partnership agreement or any other instrument, transaction or undertaking contemplated by the partnership agreement will be satisfied, if at all, out of our assets or the assets of our operating partnership only, and no such obligation or liability will be personally binding upon any of our directors, stockholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise, and none of our directors or officers will be liable or accountable in damages or otherwise to the partnership, any partner or any assignee of a partner for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission. We, as the general partner of our operating partnership, are not responsible for any misconduct or negligence on the part of our employees or agents, provided that we appoint such employees or agents in good faith. We, as the general partner of our operating partnership, may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors, and any action that we take or omit to take in reliance upon the opinion of such persons, as to matters which we reasonably believe to be within their professional or expert competence, will be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

In addition, the partnership agreement requires our operating partnership to indemnify us, our directors and officers, officers of our operating partnership and any other person designated by us against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) such person actually received an improper personal benefit in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts

paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action.

Business Combinations of Our Operating Partnership

Subject to the limitations on the transfer of our interest in our operating partnership described in "—Transfers and Withdrawals—Restrictions on Transfers by the General Partner," we generally have the exclusive power to cause our operating partnership to merge, reorganize, consolidate, sell all or substantially all of its assets or otherwise combine its assets with another entity. However, in connection with the acquisition of properties from persons to whom our operating partnership issues units or other partnership interests as part of the purchase price, in order to preserve such persons' tax deferral, our operating partnership may contractually agree, in general, not to sell or otherwise transfer the properties for a specified period of time, or in some instances, not to sell or otherwise transfer the properties without compensating the sellers of the properties for their loss of the tax deferral.

Redemption Rights of Qualifying Parties

Beginning 14 months after first becoming a holder of common units, each limited partner and some assignees of limited partners will have the right, subject to the terms and conditions set forth in the partnership agreement, to require our operating partnership to redeem all or a portion of the common units held by such limited partner or assignee in exchange for a cash amount per common unit equal to the value of one share of our common stock, determined in accordance with and subject to adjustment under the partnership agreement. Our operating partnership's obligation to redeem common units does not arise and is not binding against our operating partnership until the sixth business day after we receive the holder's notice of redemption or, if earlier, the day we notify the holder seeking redemption that we have declined to acquire some or all of the common units tendered for redemption. If we do not elect to acquire the common units tendered for redemption in exchange for shares of our common stock (as described below), our operating partnership must deliver the cash redemption amount on or before the tenth business day after we receive the holder's notice of redemption.

On or before the close of business on the fifth business day after a holder of common units gives notice of redemption to us, we may, in our sole and absolute discretion but subject to the restrictions on the ownership and transfer of our stock set forth in our charter and described in "Description of Securities—Restrictions on Ownership and Transfer," elect to acquire some or all of the common units tendered for redemption from the tendering party in exchange for shares of our common stock, based on an exchange ratio of one share of common stock for each common unit, subject to adjustment as provided in the partnership agreement. The holder of the common units tendered for redemption must provide certain information, certifications, representations, opinions and other instruments to ensure compliance with the restrictions on ownership and transfer of our stock set forth in our charter and the Securities Act. The partnership agreement does not require us to register, qualify or list any shares of common stock issued in exchange for common units with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange. Shares of our common stock issued in exchange for common units pursuant to the partnership agreement may contain legends regarding restrictions under the Securities Act and applicable state securities laws.

Transfers and Withdrawals

Restrictions on Transfers by Limited Partners

Until the expiration of 14 months after the date on which a limited partner first acquires a partnership interest, the limited partner generally may not directly or indirectly transfer all or any portion of its partnership

interest without our consent, which we may give or withhold in our sole and absolute discretion, except for certain permitted transfers to certain affiliates, family members and charities, and certain pledges of partnership interests to lending institutions in connection with bona fide loans.

After the expiration of 14 months after the date on which a limited partner first acquires a partnership interest, the limited partner will have the right to transfer all or any portion of its partnership interest without our consent to any person that is an "accredited investor," within meaning set forth in Rule 501 promulgated under the Securities Act, upon ten business days prior notice to us, subject to the satisfaction of conditions specified in the partnership agreement, including minimum transfer requirements and our right of first refusal. Unless waived by us in our sole and absolute discretion, a transferring limited partner must also deliver an opinion of counsel reasonably satisfactory to us that the proposed transfer may be effected without registration under the Securities Act, and will not otherwise violate any state securities laws or regulations applicable to our operating partnership or the partnership interest proposed to be transferred. We may exercise our right of first refusal in connection with a proposed transfer by a limited partner within ten business days of our receipt of notice of the proposed transfer, which must include the identity and address of the proposed transferee and the amount and type of consideration proposed to be paid for the partnership interest. We may deliver all or any portion of any cash consideration proposed to be paid for a partnership interest that we acquire pursuant to our right of first refusal in the form of a note payable to the transferring limited partner not more than 180 days after our purchase of such partnership interest.

Any transferee of a limited partner's partnership interest must assume by operation of law or express agreement all of the obligations of the transferring limited partner under the partnership agreement with respect to the transferred interest, and no transfer (other than a transfer pursuant to a statutory merger or consolidation in which the obligations and liabilities of the transferring limited partner are assumed by a successor corporation by operation of law) will relieve the transferring limited partner of its obligations under the partnership agreement without our consent, which we may give or withhold in our sole and absolute discretion.

We may take any action we determine is necessary or appropriate in our sole and absolute discretion to prevent our operating partnership from being taxable as a corporation for U.S. federal income tax purposes. No transfer by a limited partner of its partnership interest, including any redemption or any acquisition of partnership interests by us or by our operating partnership or conversion of LTIP units into common units, may be made to or by any person without our consent, which we may give or withhold in our sole and absolute discretion, if the transfer could:

- result in our operating partnership being treated as an association taxable as a corporation for U.S. federal income tax purposes;
- result in a termination of our operating partnership under Section 708 of the Code;
- be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code and the Treasury Regulations promulgated thereunder;
- result in our operating partnership being unable to qualify for one or more of the "safe harbors" set forth in Section 7704 of the Code and the Treasury Regulations thereunder; or
- based on the advice of counsel to us or our operating partnership, adversely affect our ability to continue to qualify as a REIT or subject us to any additional taxes under Sections 857 or 4981 of the Code.

Admission of Substituted Limited Partners

No limited partner has the right to substitute a transferee as a limited partner in its place. A transferee of a partnership interest of a limited partner may be admitted as a substituted limited partner only with our consent,

which we may give or withhold in our sole and absolute discretion, and only if the transferee accepts all of the obligations of a limited partner under the partnership and executes such instruments as we may require to evidence such acceptance and to effect the assignee's admission as a limited partner. Any assignee of a partnership interest that is not admitted as a limited partner will be entitled to all the rights of an assignee of a limited partner interest under the partnership agreement and the Maryland Revised Uniform Limited Partnership Act, including the right to receive distributions from our operating partnership and the share of net income, net losses and other items of income, gain, loss, deduction and credit of our operating partnership attributable to the partnership interest held by the assignee and the rights to transfer and redemption of the partnership interest provided in the partnership agreement, but will not be deemed to be a limited partner or holder of a partnership interest for any other purpose under the partnership agreement or the Maryland Revised Uniform Limited Partnership Act, and will not be entitled to consent to or vote on any matter presented to the limited partners for approval. The right to consent or vote, to the extent provided in the partnership agreement or under the Maryland Revised Uniform Limited Partnership Act, will remain with the transferring limited partner.

Restrictions on Transfers by the General Partner

Except as described below, any transfer of all or any portion of our interest in our operating partnership, whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise, must be approved by the consent of a majority in interest of the limited partners (excluding us and any limited partner 50% or more of whose equity is owned, directly or indirectly, by us). Subject to the rights of our stockholders and the limited partners of our operating partnership to approve certain direct or indirect transfers of our interests in our operating partnership described below and the rights of holders of any class or series of partnership interest, we may transfer all (but not less than all) of our general partnership interest without the consent of the limited partners, voting as a separate class, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets or a reclassification, recapitalization or change in any outstanding shares of our stock if:

- in connection with such event, all of the limited partners will receive or have the right to elect to receive, for each common unit, the greatest amount of cash, securities or other property paid to a holder of one share of our common stock (subject to adjustment in accordance with the partnership agreement) in the transaction and, if a purchase, tender or exchange offer is made and accepted by holders of our common stock in connection with the event, each holder of common units receives, or has the right to elect to receive, the greatest amount of cash, securities or other property that the holder would have received if it had exercised its redemption right and received shares of our common stock in exchange for its common units immediately before the expiration of the purchase, tender or exchange offer and had accepted the purchase, tender or exchange offer; or

- substantially all of the assets of our operating partnership will be owned by a surviving entity (which may be our operating partnership) in which the limited partners of our operating partnership holding common units immediately before the event will hold a percentage interest based on the relative fair market value of the net assets of our operating partnership and the other net assets of the surviving entity immediately before the event, which interest will be on terms that are at least as favorable as the terms of the common units in effect immediately before the event and as those applicable to any other limited partners or non-managing members of the surviving entity and will include a right to redeem interests in the surviving entity for the consideration described in the preceding bullet or cash on similar terms as those in effect with respect to the common units immediately before the event, or, if common equity securities of the person controlling the surviving entity are publicly traded, such common equity securities.

We may also transfer all (but not less than all) of our interest in our operating partnership to a controlled affiliate of ours without the consent of any limited partner, subject to the rights of holders of any class or series of partnership interest.

We may not, without prior "partnership approval," directly or indirectly transfer all or any portion of our interest in our operating partnership, before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. The "partnership approval" requirement is satisfied, with respect to such a transfer, when the sum of the (1) the percentage interest of limited partners consenting to the transfer of our interest, plus (2) the product of (a) the percentage of the outstanding common units held by us multiplied by (b) the percentage of the votes that were cast in favor of the event by our common stockholders equals or exceeds the percentage required for our common stockholders to approve the event resulting in the transfer. Limited partners will be entitled to cast one vote for each common unit or LTIP unit, subject to adjustment under the partnership agreement.

In addition, any transferee of our interest in our operating partnership must be admitted as a general partner of our operating partnership, assume, by operation of law or express agreement, all of our obligations as general partner under the partnership agreement, accept all of the terms and conditions of the partnership agreement and execute such instruments as may be necessary to effectuate the transferee's admission as a general partner.

Restrictions on Transfers by Any Partner

Any transfer or purported transfer of a partnership interest other than in accordance with the partnership agreement will be void. Partnership interests may be transferred only on the first day of a fiscal quarter, and no partnership interest may be transferred to any lender under certain nonrecourse loans to us or our operating partnership, in either case, unless we otherwise consent, which we may give or withhold in our sole and absolute discretion. No transfer of any partnership interest, including in connection with any redemption or acquisition of units by us or by our operating partnership or any conversion of LTIP units into common units, may be made:

- to a person or entity that lacks the legal right, power or capacity to own the partnership interest;
- in violation of applicable law;
- without our consent, which we may give or withhold in our sole and absolute discretion, of any component portion of a partnership interest, such as a partner's capital account or rights to distributions, separate and apart from all other components of the partner's interest in our operating partnership;
- if the proposed transfer could cause us or any of our affiliates to fail to comply with the requirements under the Code for qualifying as a REIT or as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2));
- without our consent, which we may give or withhold in our sole and absolute discretion, if the proposed transfer could, based on the advice of our counsel or counsel to our operating partnership, cause a termination of our operating partnership for U.S. federal or state income tax purposes (other than as a result of the redemption or acquisition by us of all units held by limited partners);
- if the proposed transfer could, based on the advice of our legal counsel or legal counsel to our operating partnership, cause our operating partnership to cease to be classified as a partnership for U.S. federal income tax purposes (other than as a result of the redemption or acquisition by us of all units held by limited partners);
- if the proposed transfer would cause our operating partnership to become, with respect to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or ERISA, a "party-in-interest" for purposes of ERISA or a "disqualified person" as defined in Section 4975(c) of the Code;

- if the proposed transfer could, based on the advice of our counsel or counsel to our operating partnership, cause any portion of the assets of our operating partnership to constitute assets of any employee benefit plan pursuant to applicable regulations of the United States Department of Labor;

- if the proposed transfer requires the registration of the partnership interest under any applicable federal or state securities laws;

- without our consent, which we may give or withhold in our sole and absolute discretion, if the proposed transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Treasury Regulations promulgated thereunder, (2) could cause our operating partnership to become a "publicly traded partnership," as that term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could cause (i) our operating partnership to have more than 100 partners, including as partners certain persons who own their interests in our operating partnership indirectly or (ii) the partnership interest initially issued to such partner or its predecessors to be held by more than partners, including as partners certain persons who own their interests in our operating partnership indirectly, or (4) could cause our operating partnership to fail one or more of the "safe harbors" within the meaning of Section 7704 of the Code and the Treasury Regulations thereunder;

- if the proposed transfer would cause our operating partnership (as opposed to us) to become a reporting company under the Exchange Act; or

- if the proposed transfer subjects our operating partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended.

Withdrawal of Partners

We may not voluntarily withdraw as the general partner of our operating partnership without the consent of a majority in interest of the limited partners (excluding us and any limited partner 50% or more of whose equity is owned, directly or indirectly, by us) other than upon the transfer of our entire interest in our operating partnership and the admission of our successor as a general partner of our operating partnership. A limited partner may withdraw from our operating partnership only as a result of a transfer of the limited partner's entire partnership interest in accordance with the partnership agreement and the admission of the limited partner's successor as a limited partner of our operating partnership or as a result of the redemption or acquisition by us of the limited partner's entire partnership interest.

Amendment of the Partnership Agreement

Except as described below and amendments requiring the consent of each affected partner described in "—Restrictions on General Partner's Authority," amendments to the partnership agreement must be approved by a majority in interest of the partners, including us and our subsidiaries. Amendments to the partnership agreement may be proposed only by us or by limited partners holding 25% or more of the partnership interests held by limited partners. Following such a proposal, we must submit any proposed amendment that requires the consent, approval or vote of any partners to the partners entitled to vote on the amendment for approval and seek the consent of such partners to the amendment.

We may, without the approval or consent of any limited partner but subject to the rights of holders of any additional class or series of partnership interest, amend the partnership agreement as may be required to facilitate or implement any of the following purposes:

- to add to our obligations as general partner or surrender any right or power granted to us or any of our affiliates for the benefit of the limited partners;

- to reflect the admission, substitution or withdrawal of partners, the transfer of any partnership interest, the termination of our operating partnership in accordance with the partnership agreement or the adjustment of the number of outstanding LTIP units, or a subdivision or combination of outstanding LTIP units, to maintain a one-for-one conversion and economic equivalence between LTIP units and common units;

- to reflect a change that is of an inconsequential nature or does not adversely affect the limited partners in any material respect, or to cure any ambiguity, correct or supplement any provision in the partnership agreement that is not inconsistent with law or with other provisions of the partnership agreement, or make other changes with respect to matters arising under the partnership agreement that will not be inconsistent with law or with the provisions of the partnership agreement;

- to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the holders any additional classes or series of partnership interest;

- to satisfy any requirements, conditions or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law;

- to reflect such changes as are reasonably necessary for us to maintain our status as a REIT or satisfy the requirements for us to qualify as a REIT or to reflect the transfer of all or any part of a partnership interest among us and any entity that is disregarded with respect to us for U.S. federal income tax purposes;

- to modify the manner in which items of net income or net loss are allocated or the manner in which capital accounts are adjusted, computed, or maintained (but in each case only to the extent provided by the partnership agreement and permitted by applicable law);

- to reflect the issuance of additional partnership interests; and

- to reflect any other modification to the partnership agreement as is reasonably necessary for our business or operations or those of our operating partnership and that does not require the consent of each affected partner as described in "—Restrictions on General Partner's Authority."

Amendments to the provisions of the partnership agreement relating to the restrictions on transfers of partnership interests by general or limited partners and the admission of transferees as limited partners must be approved by a majority in interest of the limited partners (excluding us and any limited partners 50% or more whose equity is owned, directly or indirectly, by us). Amendments to any other provision of the partnership agreement that requires the approval or consent of any partner or group of partners to any action may be amended only with the approval or consent of such partner or group of partners.

Procedures for Actions and Consents of Partners

Meetings of partners may be called only by us, to transact any business that we determine. Notice of any meeting must be given to all partners entitled to act at the meeting not less than seven days nor more than 60 days before the date of the meeting. Unless approval by a different number or proportion of the partners is required by the partnership agreement, the affirmative vote of the partners holding a majority of the outstanding partnership interests held by partners entitled to act on any proposal is sufficient to approve the proposal at a meeting of the partners. Partners may vote in person or by proxy. Each meeting of partners will be conducted by us or any other person we appoint, pursuant to rules for the conduct of the meeting determined by the person conducting the meeting. Whenever the vote, approval or consent of partners is permitted or required under the partnership agreement, such vote, approval or consent may be given at a meeting of partners, and any action requiring the

approval or consent of any partner or group of partners or that is otherwise required or permitted to be taken at a meeting of the partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken, approved or consented to is given by partners whose affirmative vote would be sufficient to approve such action or provide such approval or consent at a meeting of the partners. If we seek partner approval of or consent to any matter (other than "partnership approval" of direct or indirect transfers of our interests in our operating partnership) in writing or by electronic transmission, we may require a response within a reasonable specified time, but not less than fifteen days, and failure to respond in such time period will constitute a partner's consent consistent with our recommendation, if any, with respect to the matter. If we seek "partnership approval" of a direct or indirect transfer of our interests in our operating partnership, the record date for the determination of limited partners entitled to provide such approval shall be the same day as the record date for the approval by our stockholders of the event giving rise to such "partnership approval" rights. If "partnership approval" is not obtained with respect to any particular event within five business days from the date upon which our stockholders approved of such event, then "partnership approval" will be deemed not to exist with respect to such event.

Dissolution

Our operating partnership will dissolve, and its affairs will be wound up, upon the first to occur of any of the following:

- the removal or withdrawal of the last remaining general partner in accordance with the partnership agreement, the withdrawal of the last remaining general partner in violation of the partnership agreement or the involuntary withdrawal of the last remaining general partner as a result of such general partner's death, adjudication of incompetency, dissolution or other termination of legal existence or the occurrence of certain events relating to the bankruptcy or insolvency of such general partner unless, within ninety days after any such withdrawal, a majority in interest of the remaining partners agree in writing, in their sole and absolute discretion, to continue our operating partnership and to the appointment, effective as of the date of such withdrawal, of a successor general partner;

- an election to dissolve our operating partnership by us, in our sole and absolute discretion, with or without the consent of a majority in interest of the partners;

- the entry of a decree of judicial dissolution of our operating partnership pursuant to the Maryland Revised Uniform Limited Partnership Act;

- the sale or other disposition of all or substantially all of the assets of our operating partnership not in the ordinary course of our operating partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of our operating partnership not in the ordinary course of our operating partnership's business; or

- the redemption or other acquisition by us or our operating partnership of all of the outstanding partnership interests other than partnership interests held by us.

Upon dissolution we or, if there is no remaining general partner, a liquidator will proceed to liquidate the assets of our operating partnership and apply the proceeds from such liquidation in the order of priority set forth in the partnership agreement and among holders of partnership interests in accordance with their capital account balances.

Tax Matters

Pursuant to the partnership agreement, we, as the general partner, are the tax matters partner of our operating partnership, and in such capacity, have the authority to handle tax audits on behalf of our operating

partnership. In addition, as the general partner, we have the authority to arrange for the preparation and filing of our operating partnership's tax returns and to make tax elections under the Code on behalf of our operating partnership.

LTIP Units

Our operating partnership is authorized to issue a class of units of partnership interest designated as "LTIP units." We may cause our operating partnership to issue LTIP units to persons who provide services to or for the benefit of our operating partnership, for such consideration or for no consideration as we may determine to be appropriate, and we may admit such persons as limited partners of our operating partnership, without the approval or consent of any limited partner. Further, we may cause our operating partnership to issue LTIP units in one or more classes or series, with such terms as we may determine, without the approval or consent of any limited partner. LTIP units may be subject to vesting, forfeiture and restrictions on transfer and receipt of distributions pursuant to the terms of any applicable equity-based plan and the terms of the 2010 Plan or any other award agreement relating to the issuance of the LTIP units.

Conversion Rights

Vested LTIP units are convertible at the option of each limited partner and some assignees of limited partners into common units, upon notice to us and our operating partnership, to the extent that the capital account balance of the LTIP unitholder with respect to all of his or her LTIP units is at least equal to our capital account balance with respect to an equal number of common units. We may cause our operating partnership to convert vested LTIP units eligible for conversion into an equal number of common units at any time, upon at least 10 and not more than 60 days' notice to the holder of the LTIP units.

If we or our operating partnership is party to a transaction, including a merger, consolidation, sale of all or substantially all of our assets or other business combination, as a result of which common units are exchanged for or converted into the right, or holders of common units are otherwise entitled, to receive cash, securities or other property (or any combination thereof), we must cause our operating partnership to convert any vested LTIP units then eligible for conversion into common units immediately before the transaction, taking into account any special allocations of income that would be made as a result of the transaction. If holders of common units have the opportunity to elect the form or type of consideration to be received in any such transaction, we must give prompt written notice to each limited partner holding LTIP units of such opportunity and use commercially reasonable efforts to allow limited partners holding LTIP units the opportunity to make such elections with respect to the common units that each such limited partner will receive upon conversion of his or her LTIP units. Our operating partnership must use commercially reasonable efforts to cause each limited partner (other than a party to such a transaction or an affiliate of such a party) holding LTIP units that will be converted into common units in such a transaction to be afforded the right to receive the same kind and amount of cash, securities and other property (or any combination thereof) for such common units that each holder of common units receives in the transaction. Our operating partnership must also use commercially reasonable efforts to enter into an agreement with the successor or purchasing entity in any such transaction for the benefit of the limited partners holding LTIP units, enabling the limited partners holding LTIP units that remain outstanding after such a transaction to convert their LTIP units into securities as comparable as reasonably possible under the circumstances to common units and preserving as far as reasonably possible under the circumstances the distribution, special allocation, conversion, and other rights set forth in the partnership agreement for the benefit of the LTIP unitholders.

Any conversion of LTIP units into common units will be effective as of the close of business on the effective date of the conversion.

Transfer

Unless the 2010 Plan, any other applicable equity-based plan or the terms of an award agreement specify additional restrictions on transfer of LTIP units, LTIP units are transferable to the same extent as common units, as described above in "—Transfers and Withdrawals."

Voting Rights

Limited partners holding LTIP units are entitled to vote together with limited partners holding common units on all matters on which limited partners holding common units are entitled to vote or consent, and may cast one vote for each LTIP unit so held.

Adjustment of LTIP Units

If our operating partnership takes certain actions, including making a distribution of units on all outstanding common units, combining or subdividing the outstanding common units into a different number of common units or reclassifying the outstanding common units, we must adjust the number of outstanding LTIP units or subdivide or combine outstanding LTIP units to maintain a one-for-one conversion ratio and economic equivalence between common units and LTIP units.

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of , 2010, certain information regarding the beneficial ownership of shares of our common stock and shares of common stock into which common units are exchangeable immediately following the completion of this offering and the formation transactions for (1) each person who is expected to be the beneficial owner of 5% or more of our outstanding common stock immediately following the completion of this offering, (2) each of our directors, director nominees and named executive officers, and (3) all of our directors, director nominees and executive officers as a group. This table assumes that the formation transactions and this offering are completed, and gives effect to the expected issuance of common stock and common units in connection with this offering and the formation transactions. Each person named in the table has sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table. The extent to which a person will hold shares of common stock as opposed to units is set forth in the footnotes below.

The SEC has defined "beneficial ownership" of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (1) the exercise of any option, warrant or right, (2) the conversion of a security, (3) the power to revoke a trust, discretionary account or similar arrangement or (4) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, common shares subject to options or other rights (as set forth above) held by that person that are exercisable as of , 2010 or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Unless otherwise indicated, the address of each named person is c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130. No shares beneficially owned by any executive officer, director or director nominee have been pledged as security, except with respect to shares pledged by the Rady Trust pursuant to an indemnity escrow agreement for the purposes of satisfying any of our indemnification claims in connection with the formation transactions.

Name of Beneficial Owner	Number of Shares and Units Beneficially Owned	Percentage of All Shares[1]	Percentage of All Shares and Units[2]
American Assets, Inc.			
Ernest Rady Trust U/D/T March 10, 1983[3]			
Ernest S. Rady[4]			
John W. Chamberlain[5]			
Robert F. Barton[6]			
Adam Wyll			
Patrick Kinney			
All directors, director nominees and executive officers as a group (persons)			

* Less than 1.0%

(1) Assumes shares of common stock are outstanding immediately following this offering. In addition, amounts for individuals assume that all common units held by the person are exchanged for shares of our common stock, and amounts for all directors, director

nominees and executive officers as a group assume all common units held by them are exchanged for shares of our common stock in each case, regardless of when such common units are currently exchangeable. The total number of shares of our common stock outstanding used in calculating this percentage assumes that none of the common units held by other persons are exchanged for shares of our common stock.

(2) Assumes a total of shares of our common stock and common units, which units may be redeemed for cash or, at our option, exchanged for shares of our common stock as described in "Description of the Partnership Agreement of American Assets Trust, L.P.," are outstanding immediately following this offering.

(3) Includes shares and common units held by American Assets, Inc., which is controlled by the Rady Trust. The Rady Trust disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(4) Includes (a) shares and common units held by the Rady Trust; (b) shares and common units held by the Donald R. Rady Trust, for which Mr. Rady is the trustee; (c) shares and common units held by the Harry M. Rady Trust, for which Mr. Rady is the trustee; (d) shares and common units held by the Margo S. Rady Trust, for which Mr. Rady is the trustee; (e) shares and common units held by DHM Trust dated as of 29th May 1959, for which Mr. Rady is the trustee; and (f) shares and common units held by American Assets, Inc., which is indirectly controlled by Mr. Rady. Mr. Rady disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(5) Includes (a) shares and common units held by Trust A of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; (b) shares and common units held by Trust C of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; and (c) shares and common units held by The John W. and Rebecca S. Chamberlain Trust dated July 14, 1994, as amended, for which Mr. Chamberlain and his wife are the trustees and beneficiaries. Mr. Chamberlain disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(6) Includes shares and common units held by the Robert and Katherine Barton Living Trust, for which Mr. Barton is a trustee and beneficiary, and as such is the beneficial owner of the shares and common units held by such trust.

DESCRIPTION OF SECURITIES

Although the following summary describes the material terms of our stock, it is not a complete description of the MGCL or our charter and bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus is a part and are available from us upon request. See "Where You Can Find More Information."

General

Our charter provides that we may issue up to 490 million shares of common stock, $0.01 par value per share, or common stock, and 10 million shares of preferred stock, $0.01 par value per share, or preferred stock. Our charter authorizes our board of directors, with the approval of a majority of the entire board of directors and without any action by our stockholders, to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of any class or series of our stock. Upon completion of this offering, the formation transactions and the other transactions described in this prospectus, shares of our common stock will be issued and outstanding, and no shares of preferred stock will be issued and outstanding.

Under Maryland law, stockholders generally are not personally liable for our debts or obligations solely as a result of their status as stockholders.

Common Stock

Subject to the preferential rights of any other class or series of stock and to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, holders of shares of our common stock are entitled to receive dividends and other distributions on such shares if, as and when authorized by our board of directors out of assets legally available therefor and declared by us and to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment or establishment of reserves for all known debts and liabilities of our company.

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock and except as may otherwise be specified in the terms of any class or series of our common stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of shares of common stock will possess the exclusive voting power. There is no cumulative voting in the election of our directors. Directors are elected by a plurality of all of the votes cast in the election of directors.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund or redemption rights and have no preemptive rights to subscribe for any securities of our company. Our charter provides that our stockholders generally have no appraisal rights unless our board of directors determines prospectively that appraisal rights will apply to one or more transactions in which holders of our common stock would otherwise be entitled to exercise appraisal rights. Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, holders of our common stock will have equal dividend, liquidation and other rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, consolidate, sell all or substantially all of its assets or engage in a statutory share exchange unless declared advisable by its board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of all of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter provides for approval of any of these matters by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on such matters, except that the affirmative vote of stockholders entitled to cast at

least two-thirds of the votes entitled to be cast generally in the election of directors is required to remove a director and the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on such matter is required to amend the provisions of our charter relating to the removal of directors or specifying that our stockholders may act without a meeting only by unanimous consent, or to amend the vote required to amend such provisions. Maryland law also permits a Maryland corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to an entity if all of the equity interests of the entity are owned, directly or indirectly, by the corporation. Because our operating assets may be held by our operating partnership or its subsidiaries, these subsidiaries may be able to merge or transfer all or substantially all of their assets without the approval of our stockholders.

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series of stock, to establish the designation and number of shares of each class or series and to set, subject to the provisions of our charter relating to the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of each such class or series.

Preferred Stock

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares into one or more classes or series of preferred stock. Prior to issuance of shares of each new class or series, our board of directors is required by the MGCL and our charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of each such class or series. As a result, our board of directors could authorize the issuance of shares of preferred stock that have priority over shares of our common stock with respect to dividends or other distributions or rights upon liquidation or with other terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests. As of the date hereof, no shares of preferred stock are outstanding and we have no present plans to issue any preferred stock.

Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock

We believe that the power of our board of directors to amend our charter to increase or decrease the aggregate number of authorized shares of stock, to authorize us to issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional authorized shares of common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests. See “Material Provisions of Maryland Law and of Our Charter and Bylaws—Anti-takeover Effect of Certain Provisions of Maryland Law and Our Charter and Bylaws.”

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an

election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock (after taking into account options to acquire shares of stock) may be owned, directly, indirectly or through application of certain attribution rules by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than % (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock, or % in value of the aggregate of the outstanding shares of all classes and series of our stock, in each case excluding any shares of our common stock that are not treated as outstanding for federal income tax purposes. We refer to each of these restrictions as an "ownership limit" and collectively as the "ownership limits." A person or entity that would have acquired actual, beneficial or constructive ownership of our stock but for the application of the ownership limits or any of the other restrictions on ownership and transfer of our stock discussed below is referred to as a "prohibited owner."

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than % of our common stock (or the acquisition of an interest in an entity that owns, actually or constructively, our common stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of % of our outstanding common stock and thereby violate the applicable ownership limit.

Our board of directors, in its sole and absolute discretion, prospectively or retroactively, may exempt a person from either or both of the ownership limits if doing so would not result in us being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT and our board of directors determines that:

- such waiver will not cause any individual to actually or beneficially own more than % in value of the aggregate of the outstanding shares of all classes and series of our stock; and
- subject to certain exceptions, the person does not and will not own, actually or constructively, an interest in a tenant of ours (or a tenant of any entity owned in whole or in part by us) that would cause us to own, actually or constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant.

As a condition of the exception, our board of directors may require an opinion of counsel or IRS ruling, in either case in form and substance satisfactory to our board of directors, in its sole and absolute discretion, in order to determine or ensure our status as a REIT and such representations and undertakings as are reasonably necessary to make the determinations above. Our board of directors may impose such conditions or restrictions as it deems appropriate in connection with such an exception.

Our board of directors will grant to Ernest S. Rady and certain of his affiliates, or the Rady Group, an exemption from the ownership limits, subject to various conditions and limitations. During the time that such waiver is effective, the Rady Group will be subject to an increased ownership limit, or an excepted holder limit of %. As a condition to granting such excepted holder limit, the Rady Group will be required to make representations and warranties to us, including a representation that, as a result of granting the Rady Group a waiver from the ownership limits and providing the Rady Group with an excepted holder limit of %, no other person will actually, beneficially or constructively own shares of our stock in excess of the ownership limit. In addition, Mr. Rady generally will be required to represent that the Rady Group does not, and will not at any time

the Rady Group has an exception from the ownership limits, actually or constructively own in excess of 9.8% of the outstanding equity interests in any of our tenants, other than certain specifically identified tenants. These and certain other representations and undertakings are intended to ensure that, as a result of granting such waiver and providing the Rady Group with an excepted holder limit, we will continue to meet the REIT ownership requirements. Mr. Rady must inform us if any of these representations becomes untrue or is violated, in which case the Rady Group will lose its exemption from the ownership limit.

In connection with a waiver of an ownership limit or at any other time, our board of directors may, in its sole and absolute discretion, increase or decrease one or both of the ownership limits for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of our stock exceeds the decreased ownership limit at the time of the decrease until the person's actual, beneficial or constructive ownership of our stock equals or falls below the decreased ownership limit, although any further acquisition of our stock will violate the decreased ownership limit. Our board of directors may not increase or decrease any ownership limit if, among other limitations, the new ownership limit would allow five or fewer persons to actually or beneficially own more than 49% in value of our outstanding stock or could otherwise cause us to fail to qualify as a REIT.

Our charter further prohibits:

- any person from actually, beneficially or constructively owning shares of our stock that could result in us being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT (including, but not limited to, actual, beneficial or constructive ownership of shares of our stock that could result in us owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income we derive from such tenant, taking into account our other income that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause us to fail to satisfy any the gross income requirements imposed on REITs); and

- any person from transferring shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of shares of our stock that will or may violate the ownership limits or any of the other restrictions on ownership and transfer of our stock described above must give written notice immediately to us or, in the case of a proposed or attempted transaction, provide us at least 15 days prior written notice, and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT.

The ownership limits and other restrictions on ownership and transfer of our stock described above will not apply until the closing of this offering and will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT or that compliance is no longer required in order for us to qualify as a REIT.

Pursuant to our charter, if any purported transfer of our stock or any other event would otherwise result in any person violating the ownership limits or such other limit established by our board of directors, or could result in us being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then that number of shares causing the violation (rounded up to the nearest whole share) will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by us. The prohibited owner will have no rights in shares of our stock held by the trustee. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other

event that results in the transfer to the trust. Any dividend or other distribution paid to the prohibited owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of our stock, then that transfer of the number of shares that otherwise would cause any person to violate the above restrictions will be void. If any transfer of our stock would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer will be void and of no force or effect and the intended transferee will acquire no rights in the shares.

Shares of our stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price per share in the transaction that resulted in the transfer of the shares to the trust (or, in the event of a gift, devise or other such transaction, the last reported sale price on the NYSE on the day of the transfer or other event that resulted in the transfer of such shares to the trust) and (2) the last reported sale price on the NYSE on the date we accept, or our designee accepts, such offer. We must reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee and pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We have the right to accept such offer until the trustee has sold the shares of our stock held in the trust. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee with respect to such stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or persons designated by the trustee who could own the shares without violating the ownership limits or other restrictions on ownership and transfer of our stock. Upon such sale, the trustee must distribute to the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited owner for the shares (or, if the prohibited owner did not give value in connection with the transfer or other event that resulted in the transfer to the trust (e.g., a gift, devise or other such transaction), the last reported sale price on the NYSE on the day of the transfer or other event that resulted in the transfer of such shares to the trust) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trustee for the shares. The trustee will reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by us that shares of our stock have been transferred to the trustee, such shares of stock are sold by a prohibited owner, then such shares shall be deemed to have been sold on behalf of the trust and, to the extent that the prohibited owner received an amount for or in respect of such shares that exceeds the amount that such prohibited owner was entitled to receive, such excess amount shall be paid to the trustee upon demand.

The trustee will be designated by us and will be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the charitable beneficiary, all dividends and other distributions paid by us with respect to such shares, and may exercise all voting rights with respect to such shares for the exclusive benefit of the charitable beneficiary.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee may, at the trustee's sole discretion:

- rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transferred to the trust; and
- recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

If our board of directors or a committee thereof determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of our stock set forth in our charter, our board of directors or such committee may take such action as it deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem shares of stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of our stock, within 30 days after the end of each taxable year, must give written notice to us stating the name and address of such owner, the number of shares of each class and series of our stock that the owner beneficially owns and a description of the manner in which the shares are held. Each such owner also must provide us with any additional information that we request in order to determine the effect, if any, of the person's actual or beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, any person that is an actual owner, beneficial owner or constructive owner of shares of our stock and any person (including the stockholder of record) who is holding shares of our stock for an actual owner, beneficial owner or constructive owner must, on request, disclose to us such information as we may request in good faith in order to determine our status as a REIT and comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Any certificates representing shares of our stock will bear a legend referring to the restrictions on ownership and transfer of our stock described above.

These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock that our stockholders believe to be in their best interest.

Transfer Agent and Registrar

We expect the transfer agent and registrar for our shares of common stock to be .

MATERIAL PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

Although the following summary describes certain provisions of Maryland law and the material provisions of our charter and bylaws, it is not a complete description of Maryland law or our charter and bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus is a part and are available from us upon request. See "Where You Can Find More Information."

Our Board of Directors

Our charter and bylaws provide that the number of directors of our company may be established, increased or decreased only by a majority of our entire board of directors but may not be fewer than the minimum number required under the MGCL nor, unless our bylaws are amended, more than 15. Upon completion of this offering, we expect to have seven directors.

Our charter also provides that, at such time as we become eligible to elect to be subject to certain elective provisions of the MGCL (which we expect will be upon completion of this offering) and except as may be provided by our board of directors in setting the terms of any class or series of stock, any vacancy may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum. Any director so elected will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is duly elected and qualifies.

Each of our directors is elected by our stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies under the MGCL. Holders of shares of our common stock will have no right to cumulative voting in the election of directors. Directors are elected by a plurality of the votes cast.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. This provision, when coupled with the exclusive power of our board of directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances specified under the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and any interested stockholder, or an affiliate of such an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Maryland law defines an interested stockholder as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. In approving a transaction, however, a board of directors may provide that its approval is subject to compliance, at or after the time of the approval, with any terms and conditions determined by it.

After such five-year period, any such business combination must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These supermajority approval requirements do not apply if, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a corporation's board of directors prior to the time that the interested stockholder becomes an interested stockholder. Our board of directors has, by board resolution, elected to opt out of the business combination provisions of the MGCL. However, we cannot assure you that our board of directors will not opt to be subject to such business combination provisions in the future. Notwithstanding the foregoing, an alteration or repeal of this resolution will not have any effect on any business combinations that have been consummated or upon any agreements existing at the time of such modification or repeal.

Control Share Acquisitions

The MGCL provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights with respect to any control shares except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors, generally, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of such shares in the election of directors: (1) the person who made or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock that, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition, directly or indirectly, of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an "acquiring person statement" as described in the MGCL), may compel the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the control shares. If no request for a special meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights of control shares are not approved at the meeting or if the acquiring person does not deliver an "acquiring person statement" as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to: (1) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. We cannot provide you any assurance, however, that our board of directors will not amend or eliminate this provision at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; or
- a majority requirement for the calling of a special meeting of stockholders.

Our charter provides that, at such time as we become eligible to make a Subtitle 8 election and except as may be provided by our board of directors in setting the terms of any class or series of stock, we elect to be subject to the provisions of Subtitle 8 relating to the filling of vacancies on our board of directors. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) require a two-thirds vote for the removal of any director from the board, which removal will be allowed only for cause, (2) vest in the board the exclusive power to fix the number of directorships, subject to limitations set forth in our charter and bylaws and (3) require, unless called by the chairman of our board of directors, our president, our chief executive officer or our board of directors, the request of stockholders entitled to cast not less than a majority of all votes entitled to be cast on a matter at such meeting to call a special meeting to consider and vote on any matter that may properly be considered at a meeting of stockholders. We have not elected to create a classified board. In the future, our board of directors may elect, without stockholder approval, to create a classified board or elect to be subject to one or more of the other provisions of Subtitle 8.

Amendments to Our Charter and Bylaws

Other than amendments to certain provisions of our charter described below and amendments permitted to be made without stockholder approval under Maryland law or by a specific provision in the charter, our charter may be amended only if such amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. The provisions of our charter relating to the removal of directors or specifying that our stockholders may act without a meeting only by unanimous consent, or the provision specifying the vote required to amend such provisions, may be amended only if such amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast not less than two-thirds of all of the votes entitled to be cast on the matter. Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws or to make new bylaws.

Transactions Outside the Ordinary Course of Business

We generally may not merge with or into or consolidate with another company, sell all or substantially all of our assets or engage in a statutory share exchange unless such transaction is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. In addition, to the extent that such a merger, consolidation, sale of assets of statutory share exchange would require the vote of our stockholders, such transaction would also require the approval of the limited partners of our operating partnership. See “Description of the Partnership Agreement of American Assets Trust, L.P.—Restrictions on Transfers by the General Partner.”

Dissolution of Our Company

The dissolution of our company must be declared advisable by a majority of our entire board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter.

Meetings of Stockholders

Under our bylaws, annual meetings of stockholders must be held each year at a date, time and place determined by our board of directors. Special meetings of stockholders may be called by the chairman of our board of directors, our chief executive officer, our president and our board of directors. Additionally, subject to the provisions of our bylaws, a special meeting of stockholders to act on any matter that may properly be considered at a meeting of stockholders must be called by our secretary upon the written request of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter at such meeting who have requested the special meeting in accordance with the procedures specified in our bylaws and provided the information and certifications required by our bylaws. Only matters set forth in the notice of a special meeting of stockholders may be considered and acted upon at such a meeting.

Advance Notice of Director Nominations and New Business

Our bylaws provide that:

- with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders at the annual meeting may be made only:
    - pursuant to our notice of the meeting;
    - by or at the direction of our board of directors; or

- by a stockholder who was a stockholder of record both at the time of giving of the notice required by our bylaws and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has provided the information and certifications required by the advance notice procedures set forth in our bylaws; and

- with respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting of stockholders, and nominations of individuals for election to our board of directors may be made only:

  - by or at the direction of our board of directors; or

  - provided that the meeting has been called for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving of the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has provided the information and certifications required by the advance notice procedures set forth in our bylaws.

The purpose of requiring stockholders to give advance notice of nominations and other proposals is to afford our board of directors the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our board of directors, to inform stockholders and make recommendations regarding the nominations or other proposals. The advance notice procedures also permit a more orderly procedure for conducting our stockholder meetings.

Anti-takeover Effect of Certain Provisions of Maryland Law and Our Charter and Bylaws

The restrictions on ownership and transfer of our stock, the provisions of our charter regarding the removal of directors, the exclusive power of our board of directors to fill vacancies on the board and the advance notice provisions of the bylaws could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests. Likewise, if our board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Subtitle 8 of Title 3 of the MGCL providing for a classified board of directors, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were amended or rescinded, these provisions of the MGCL could have similar anti-takeover effects.

Indemnification and Limitation of Directors' and Officers' Liability

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and:

  - was committed in bad faith; or

- was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or in the right of the corporation or if the director or officer was adjudged liable on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer, without requiring a preliminary determination of the director's or officer's ultimate entitlement to indemnification, upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's of officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us to obligate our company and our bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding, without requiring a preliminary determination of the director's or officer's ultimate entitlement to indemnification, to:

- any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while serving as our director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us, with the approval of our board of directors, to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

The partnership agreement also provides that we, as general partner, and our directors, officers, employees, agents and designees are indemnified to the extent provided therein. See "Description of the Partnership Agreement of American Assets Trust, L.P.—Exculpation and Indemnification of General Partner."

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Indemnification Agreements

We intend to enter into indemnification agreements with each of our executive officers and directors as described in "Management—Limitation of Liability and Indemnification."

Restrictions on Ownership and Transfer

Subject to certain exceptions, our charter provides that no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than % (in value or number of shares, whichever is more restrictive) of the outstanding shares of our common stock or more than % in value of the aggregate outstanding shares of our stock. For a fuller description of this and other restrictions on ownership and transfer of our stock, see "Description of Securities—Restrictions on Ownership and Transfer."

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to be qualified as a REIT. Our charter also provides that our board of directors may determine that compliance with the restrictions on ownership and transfer of our stock is no longer required in order for us to qualify as a REIT.

SHARES ELIGIBLE FOR FUTURE SALE

General

Upon completion of this offering, we will have outstanding shares of our common stock (shares if the underwriters' overallotment option is exercised in full). In addition, upon completion of this offering, shares of our common stock will be reserved for issuance upon exchange of common units.

Of these shares, the shares sold in this offering (shares if the underwriters' overallotment option is exercised in full) will be freely transferable without restriction or further registration under the Securities Act, subject to the limitations on ownership set forth in our charter, except for any shares purchased in this offering by our "affiliates," as that term is defined by Rule 144 under the Securities Act. The remaining shares of common stock issued to our officers, directors and affiliates in the formation transactions and the shares of our common stock issuable to officers, directors and affiliates upon exchange of common units will be "restricted shares" as defined in Rule 144.

Prior to this offering, there has been no public market for our common stock. Trading of our common stock on the NYSE is expected to commence immediately following the completion of this offering. No assurance can be given as to (1) the likelihood that an active market for our shares of common stock will develop, (2) the liquidity of any such market, (3) the ability of the stockholders to sell the shares or (4) the prices that stockholders may obtain for any of the shares. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our common stock (including shares issued upon the exchange of units tendered for redemption or the exercise of stock options), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock. See "Risk Factors—Risks Related to this Offering."

For a description of certain restrictions on transfers of our shares of common stock held by certain of our stockholders, see "Description of Securities—Restrictions on Ownership and Transfer."

Rule 144

After giving effect to this offering, shares of our outstanding shares of common stock will be "restricted" securities under the meaning of Rule 144 under the Securities Act, and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption provided by Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale and who has beneficially owned shares considered to be restricted securities under Rule 144 for at least six months would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned shares considered to be restricted securities under Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

An affiliate of ours who has beneficially owned shares of our common stock for at least six months would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1.0% of the shares of our common stock then outstanding, which will equal approximately shares immediately after this offering (shares if the underwriters exercise their overallotment option in full); or
- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Redemption/Exchange Rights

In connection with the formation transactions, our operating partnership will issue an aggregate of common units to prior investors in the entities that own the properties in our portfolio. Beginning on or after the date which is 14 months after the completion of this offering, limited partners of our operating partnership and certain qualifying assignees of a limited partner will have the right to require our operating partnership to redeem part or all of their common units for cash, or, at our election, shares of our common stock, based upon the fair market value of an equivalent number of shares of our common stock at the time of the redemption, subject to the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled “Description of Securities—Restrictions on Ownership and Transfer.” See “Description of the Partnership Agreement of American Assets Trust, L.P.”

Registration Rights

In connection with the completion of this offering, will enter into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions, including Mr. Rady his affiliates, immediate family members and related trusts and certain of our executive officers. Under the registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of this offering, we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the resale of the shares of our common stock issued or issuable, at our option, in exchange for operating partnership units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act in lieu of our operating partnership’s obligation to pay cash for such units.

Commencing one year after the date of this offering (but prior to the date upon which the registration statement described above becomes effective) or 16 months after the date of this offering if the shelf registration statement described above is not then effective, Mr. Rady and his affiliates, immediate family members and related trusts will have demand rights to require us to undertake an underwritten offering under a resale registration statement (so long as a majority-in-interest of such group makes such a demand). In addition, if we file a registration statement with respect to an underwritten offering for our own account, any of Mr. Rady and his affiliates, immediate family members and related trusts will have the right, subject to certain limitations, to register such number of shares of our common stock issued to him or her pursuant to the formation transactions as each such person requests.

Commencing upon our filing of a resale registration statement not later than 14 months after the date of this offering, under certain circumstances, we will also be required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided the securities to be registered in such offering shall (1) have a market value of at least $25 million or (2) shall represent all of the remaining securities acquired in the formation transactions by Mr. Rady and his affiliates, immediate family members and related trusts and such securities shall have a market value of at least $10 million, and provided further that we are not obligated to effect more than three such underwritten offerings. We will agree to pay all of the expenses relating to the securities registrations described above. See “Shares Eligible for Future Sale—Registration Rights.”

Equity Incentive Award Plan

We intend to adopt our 2010 Equity Incentive Award Plan immediately prior to the completion of this offering. The plan will provide for the grant of incentive awards to our directors, officers, employees and consultants. We expect that an aggregate of shares of our common stock will be available for issuance under the awards granted pursuant to our 2010 Equity Incentive Award Plan.

We intend to file with the SEC a Registration Statement on Form S-8 covering the shares of common stock issuable under our 2010 Equity Incentive Award Plan. Shares of our common stock covered by this registration statement, including any shares of our common stock issuable upon the exercise of options or shares of restricted common stock, will be eligible for transfer or resale without restriction under the Securities Act unless held by affiliates.

Lock-up Agreements

In addition to the limits placed on the sale of our common stock by operation of Rule 144 and other provisions of the Securities Act, our directors, executive officers, director nominees and their affiliates, as well as each of the prior investors have agreed with the underwriters of this offering, subject to certain exceptions, not to sell or otherwise transfer or encumber, or enter into any transaction that transfers, in whole or in part, directly or indirectly, any shares of common stock or securities convertible into, exchangeable for or exercisable for shares of common stock owned by them at the completion of this offering or thereafter acquired by them for a period of 365 days (with respect to Mr. Rady and our other directors, director nominees and executive officers and their affiliates) and 180 days (with respect to other prior investors) after the date of this prospectus, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated (with respect to our executive officers, directors and director nominees and their affiliates) or Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC (with respect to other prior investors).

However, in addition to certain other exceptions, (1) each of our directors, director nominees, executive officers and their affiliates, as well as prior investors may transfer or dispose of his or her shares during the lock-up period in the case of gifts or for estate planning purposes, and (2) each of the prior investors that is an entity may distribute its shares to its limited partners, members or stockholders or to its affiliates or to any investment fund or other entity controlled or managed by it, provided in each case that each transferee agrees to a similar lock-up agreement for the remainder of the lock-up period, the transfer does not involve a disposition for value, no report is required to be filed by the transferor under the Exchange Act as a result of the transfer and the transferor does not voluntarily effect any public filing or report regarding such transfer. See “Underwriting—No Sales of Similar Securities.”

FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations regarding our company and this offering of our common stock. For purposes of this discussion, references to "we," "our" and "us" mean only American Assets Trust, Inc., and do not include any of its subsidiaries, except as otherwise indicated. This summary is for general information only and is not tax advice. The information in this summary is based on:

- the Internal Revenue Code of 1986, as amended, or the Code;
- current, temporary and proposed Treasury Regulations promulgated under the Code;
- the legislative history of the Code;
- administrative interpretations and practices of the Internal Revenue Service, or the IRS; and
- court decisions;

in each case, as of the date of this prospectus. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. The sections of the Code and the corresponding Treasury Regulations that relate to qualification and taxation as a REIT are highly technical and complex. The following discussion sets forth certain material aspects of the sections of the Code that govern the federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations promulgated under the Code, and administrative and judicial interpretations thereof. Future legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any such change could apply retroactively to transactions preceding the date of the change. We have not requested and do not intend to request a ruling from the IRS that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state, local or non-U.S. tax consequences associated with the purchase, ownership, or disposition of our common stock or our election to be taxed as a REIT.

You are urged to consult your tax advisors regarding the tax consequences to you of:

- **the purchase, ownership or disposition of our common stock, including the federal, state, local, non-U.S. and other tax consequences;**
- **our election to be taxed as a REIT for federal income tax purposes; and**
- **potential changes in applicable tax laws.**

Taxation of Our Company

General

We currently have in effect an election to be taxed as an S corporation under subchapter S of the Code, but intend to revoke our subchapter S election prior to the closing date of this offering. We intend to elect to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ending December 31, 2010. We believe that we are organized and will operate in a manner that will allow us to qualify for taxation as a REIT under the Code commencing with our taxable year ending December 31, 2010, and we

intend to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized or will be able to operate in a manner so as to qualify or remain qualified as a REIT. See "—Failure to Qualify."

Latham & Watkins LLP has acted as our tax counsel in connection with this offering of our common stock and our intended election to be taxed as a REIT. Latham & Watkins LLP will render an opinion to us to the effect that, commencing with our taxable year ending December 31, 2010, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion will be based on various assumptions and representations as to factual matters, including representations made by us in a factual certificate provided by one of our officers. In addition, this opinion will be based upon our factual representations set forth in this prospectus. Moreover, our qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Latham & Watkins LLP. Accordingly, no assurance can be given that our actual results of operation for any particular taxable year will satisfy those requirements. Further, the anticipated federal income tax treatment described in this discussion may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. Latham & Watkins LLP has no obligation to update its opinion subsequent to the date of such opinion.

Provided we qualify for taxation as a REIT, we generally will not be required to pay federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that ordinarily results from investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. We will, however, be required to pay federal income tax as follows:

- First, we will be required to pay tax at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.
- Second, we may be required to pay the "alternative minimum tax" on our items of tax preference under some circumstances.
- Third, if we have (1) net income from the sale or other disposition of "foreclosure property" held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay tax at the highest corporate rate on this income. To the extent that income from foreclosure property is otherwise qualifying income for purposes of the 75% gross income test, this tax is not applicable. Subject to certain other requirements, foreclosure property generally is defined as property we acquired through foreclosure or after a default on a loan secured by the property or a lease of the property.
- Fourth, we will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.
- Fifth, if we fail to satisfy the 75% gross income test or the 95% gross income test, as described below, but have otherwise maintained our qualification as a REIT because certain other requirements are met, we will be required to pay a tax equal to (1) the greater of (A) the amount by which we fail to satisfy the 75% gross income test and (B) the amount by which we fail to satisfy the 95% gross income test, multiplied by (2) a fraction intended to reflect our profitability.

- Sixth, if we fail to satisfy any of the asset tests (other than a de minimis failure of the 5% or 10% asset test), as described below, due to reasonable cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.

- Seventh, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the gross income tests or certain violations of the asset tests, as described below) and the violation is due to reasonable cause and not due to willful neglect, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.

- Eighth, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of (1) 85% of our ordinary income for the year, (2) 95% of our capital gain net income for the year, and (3) any undistributed taxable income from prior periods.

- Ninth, if we acquire any asset from a corporation that is or has been a C corporation in a transaction in which our basis in the asset is determined by reference to the C corporation's basis in the asset (as is expected to occur in connection with certain mergers that are part of the formation transactions), and we subsequently recognize gain on the disposition of the asset during the ten-year period beginning on the date on which we acquired the asset, then we will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted basis in the asset, in each case determined as of the date on which we acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation.

- Tenth, our subsidiaries that are C corporations, including our "taxable REIT subsidiaries," generally will be required to pay federal corporate income tax on their earnings.

- Eleventh, we will be required to pay a 100% tax on any "redetermined rents," "redetermined deductions" or "excess interest." See "—Penalty Tax." In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a taxable REIT subsidiary of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations.

- Twelfth, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include its proportionate share of our undistributed net capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the basis of the stockholder in our common stock.

Requirements for Qualification as a REIT. The Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;

(3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;

(4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code;

(5) that is beneficially owned by 100 or more persons;

(6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including certain specified entities, during the last half of each taxable year; and

(7) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term "individual" includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or profit sharing trust.

We believe that we have been organized, will operate and will issue sufficient shares of our common stock with sufficient diversity of ownership pursuant to this offering of our common stock to allow us to satisfy conditions (1) through (7) inclusive, during the relevant time periods. In addition, our charter provides for restrictions regarding ownership and transfer of our shares which are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. A description of the share ownership and transfer restrictions relating to our stock is contained in the discussion in this prospectus under the heading "Description of Securities—Restrictions on Ownership and Transfer." These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above. If we fail to satisfy these share ownership requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement. See "—Failure to Qualify."

In addition, we may not maintain our status as a REIT unless our taxable year is the calendar year. We will have a calendar taxable year.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries. In the case of a REIT that is a partner in a partnership or a member in a limited liability company treated as a partnership for federal income tax purposes, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company, as the case may be, based on its interest in partnership capital, subject to special rules relating to the 10% asset test described below. Also, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership or limited liability company retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership's share of these items of any partnership or limited liability company treated as a partnership or disregarded entity for federal income tax purposes in which it owns an interest, is treated as our assets and items of income for purposes of applying the requirements described in this discussion, including the gross income and asset tests described below. A brief summary of the rules governing the federal income taxation of partnerships and limited liability companies is set forth below in "—Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies."

We expect to control our operating partnership and the subsidiary partnerships and limited liability companies and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own and operate certain properties through subsidiaries that we intend to be treated as "qualified REIT subsidiaries" under the Code. A corporation will qualify as our qualified REIT subsidiary if we own 100% of the corporation's outstanding stock and do not elect with the subsidiary to treat it as a "taxable REIT subsidiary," as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit of the parent REIT for all purposes under the Code, including all REIT qualification tests. Thus, in applying the federal tax requirements described in this discussion, any qualified REIT subsidiaries we own are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such corporations are treated as our assets, liabilities and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not subject to federal income tax, and our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under "—Asset Tests."

Ownership of Interests in Taxable REIT Subsidiaries. We will own an interest in one or more taxable REIT subsidiaries and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities as more fully described below under "—Income Tests," a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt funded directly or indirectly by its parent REIT if certain tests regarding the taxable REIT subsidiary's debt to equity ratio and interest expense are not satisfied. A REIT's ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset test described below. See "—Asset Tests."

Income Tests

We must satisfy two gross income requirements annually to maintain our qualification as a REIT. First, in each taxable year we must derive directly or indirectly at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from investments relating to real property or mortgages on real property, including "rents from real property" and, in certain circumstances, interest, or certain types of temporary investments. Second, in each taxable year we must derive at least 95% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from the real property investments described above or dividends, interest and gain from the sale or disposition of stock or securities, or any combination of the foregoing. For these purposes, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents we receive from a tenant will qualify as "rents from real property" for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

- The amount of rent is not based in any way on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term "rents from real property" solely because it is based on a fixed percentage or percentages of receipts or sales;

- Neither we nor an actual or constructive owner of 10% or more of our stock actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents we receive from such a tenant that is a taxable REIT subsidiary of ours, however, will not be excluded from the definition of "rents from real property" as a result of this condition if (1) at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by our other tenants for comparable space, or (2) the property to which the rents relate is a qualified lodging facility and such property is operated on behalf of the taxable REIT subsidiary by a person who is an eligible independent contractor and certain other requirements are met, as described below. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a "controlled taxable REIT subsidiary" is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as "rents from real property." For purposes of this rule, a "controlled taxable REIT subsidiary" is a taxable REIT subsidiary in which the parent REIT owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;

- Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as "rents from real property." To the extent that rent attributable to personal property, leased in connection with a lease of real property, exceeds 15% of the total rent received under the lease, we may transfer a portion of such personal property to a taxable REIT subsidiary; and

- We generally do not operate or manage the property or furnish or render services to our tenants, subject to a 1% *de minimis* exception and except as provided below. We may, however, perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we may employ an independent contractor from whom we derive no revenue to provide customary services, or a taxable REIT subsidiary, which may be wholly or partially owned by us, to provide both customary and non-customary services to our tenants without causing the rent we receive from those tenants to fail to qualify as "rents from real property." Any amounts we receive from a taxable REIT subsidiary with respect to the taxable REIT subsidiary's provision of non-customary services will, however, be nonqualifying income under the 75% gross income test and, except to the extent received through the payment of dividends, the 95% gross income test.

A portion of our rental income will be derived from the lease of our hotel property, which we plan to lease to our taxable REIT subsidiary. In order for the rent payable under this lease to constitute "rents from real property," the lease must be respected as a true lease for federal income tax purposes and must not be treated as a service contract, joint venture, or some other similar type of arrangement. We believe that this lease will be

respected as a true lease for federal income tax purposes. However, this determination is inherently a question of fact, and we cannot assure you that the IRS will not successfully assert a contrary position. If this lease is not respected as a true lease, part or all of the payments that we receive as rent from our taxable REIT subsidiary with respect to such lease may not be considered rent or may not otherwise satisfy the various requirements for qualification as "rents from real property." In that case, we may not be able to satisfy either the 75% or 95% gross income test and could fail to qualify as a REIT.

Also, our taxable REIT subsidiary may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated. However, rents we receive from a lease of a hotel to our taxable REIT subsidiary will constitute "rents from real property" if the following conditions are satisfied:

- First, the hotel must be a "qualified lodging facility." A qualified lodging facility is a hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis, unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. Accordingly, we will not be permitted to have gambling or wagering activity on the premises of our hotel property or to earn income from gambling or wagering activities.

- Second, the hotel manager must be an "eligible independent contractor." An eligible independent contractor is an independent contractor that, at the time the management contract is entered into, is actively engaged in the trade or business of operating qualified lodging facilities for any person not related to us or any of our taxable REIT subsidiaries. For this purpose, an independent contractor means any person (1) that does not own (taking into account relevant attribution rules) more than 35% of our stock, and (2) with respect to which no person or group owning directly or indirectly (taking into account relevant attribution rules) 35% or more of our stock owns 35% or more directly or indirectly (taking into account relevant attribution rules) of the ownership interest in the contractor.

We believe that our hotel property will be a qualified lodging facility, and that the hotel manager engaged by our taxable REIT subsidiary to manage the hotel will be an eligible independent contractor. Furthermore, while we will monitor the activities of the eligible independent contractor to maximize the value of our hotel investment, neither we nor our taxable REIT subsidiary lessee will directly or indirectly operate or manage our hotel. Thus, we believe that the rents we derive from our taxable REIT subsidiary with respect to the lease of our hotel property will qualify as "rents from real property."

We generally do not intend, and as a general partner of our operating partnership, do not intend to permit our operating partnership, to take actions we believe will cause us to fail to satisfy the rental conditions described above. However, we may intentionally fail to satisfy some of these conditions to the extent we determine, based on the advice of our tax counsel, that the failure will not jeopardize our tax status as a REIT. For example, as described in "Description of Our Securities—Restrictions on Ownership and Transfer," an excepted holder limit was established for Mr. Rady and his affiliates in excess of the ownership limit. Because Mr. Rady and his affiliates will own in excess of 10% of our stock and in excess of 10% or more of the voting power or value of all classes of stock of certain of our tenants, we anticipate the rents payable by such tenants will not qualify as "rents from real property" and, therefore, will not qualify under the 95% and 75% gross income tests described above. We believe, however, that we will be able to satisfy the REIT gross income tests notwithstanding our receipt of such nonqualifying rental income. With respect to the limitation on the rental of personal property, we have not obtained appraisals of the real property and personal property leased to tenants. Accordingly, there can be no assurance that the IRS will not disagree with our determinations of value of such property.

Income we receive that is attributable to the rental of parking spaces at the properties generally will constitute rents from real property for purposes of the gross income tests if certain services provided with respect

to the parking spaces are performed by independent contractors from whom we derive no revenue, either directly or indirectly, or by a taxable REIT subsidiary, and certain other conditions are met. We believe that the income we receive that is attributable to parking spaces will meet these tests and, accordingly, will constitute rents from real property for purposes of the gross income tests.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income and thus will be exempt from the 75% and 95% gross income tests. The term "hedging transaction," as used above, generally means any transaction we enter into in the normal course of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets, or (2) currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

To the extent our taxable REIT subsidiaries pay dividends, we generally will derive our allocable share of such dividend income through our interest in our operating partnership. Such dividend income will qualify under the 95%, but not the 75%, gross income test.

We will monitor the amount of the dividend and other income from our taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the gross income tests. Although we expect these actions will be sufficient to prevent a violation of the gross income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. We generally may make use of the relief provisions if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year in accordance with Treasury Regulations to be issued; and

- our failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. As discussed above in "—Taxation of Our Company—General," even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our nonqualifying income. We may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of our income.

Prohibited Transaction Income. Any gain that we realize on the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships and limited liability companies, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax, unless certain safe harbor exceptions apply. This prohibited transaction income may also adversely affect our

ability to satisfy the gross income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. Our operating partnership intends to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our operating partnership's investment objectives. We do not intend to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of the sales made by our operating partnership or its subsidiary partnerships or limited liability companies are prohibited transactions. We would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales.

Penalty Tax. Any redetermined rents, redetermined deductions or excess interest we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary of ours, and redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations. Rents we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

We anticipate that one or more of our taxable REIT subsidiaries will provide services to certain of our tenants and will pay rent to us. We intend to set the fees paid to our taxable REIT subsidiaries for such services, and the rent payable to us at arm's length rates, although the amounts paid may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on the excess of an arm's length fee for tenant services over the amount actually paid, or on the excess rents paid to us.

Asset Tests

At the close of each calendar quarter of our taxable year, we must also satisfy four tests relating to the nature and diversification of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and government securities. For purposes of this test, the term "real estate assets" generally means real property (including interests in real property and interests in mortgages on real property) and shares (or transferable certificates of beneficial interest) in other REITs, as well as any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the date the REIT receives such proceeds.

Second, not more than 25% of the value of our total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries), other than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class, and except for investments in other REITs, our qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer's securities may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer except, in the case of the 10% value test, securities satisfying the "straight debt" safe-harbor or securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT. Certain types of securities we may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of our interest in the assets of a partnership or limited liability company in which we own an interest will be based on our proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Code.

Fourth, not more than 25% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries. Our operating partnership will own 100% of the securities of one or more corporations that will elect, together with us, to be treated as our taxable REIT subsidiaries, and we may acquire securities in other taxable REIT subsidiaries in the future. We believe that the aggregate value of our taxable REIT subsidiaries will not exceed 25% of the aggregate value of our gross assets. No independent appraisals have been obtained to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with our determinations of value.

The asset tests must be satisfied at the close of each calendar quarter of our taxable year in which we (directly or through our operating partnership) acquire securities in the applicable issuer, and also at the close of each calendar quarter in which we increase our ownership of securities of such issuer (including as a result of increasing our interest in our operating partnership). For example, our indirect ownership of securities of each issuer will increase as a result of our capital contributions to our operating partnership or as limited partners exercise their redemption/exchange rights. Accordingly, after initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy an asset test because we acquire securities or other property during a quarter (including as a result of an increase in our interest in our operating partnership), we may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. We believe that we have maintained and intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests. If we fail to cure any noncompliance with the asset tests within the 30 day cure period, we would cease to qualify as a REIT unless we are eligible for certain relief provisions discussed below.

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% asset tests if the value of our nonqualifying assets (1) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (2) we dispose of the nonqualifying assets or otherwise satisfy such tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case of the 5% and 10% asset tests, in excess of the *de minimis* exception described above, we may avoid disqualification as a REIT after the 30-day cure period by taking steps including (1) the disposition of sufficient nonqualifying assets, or the taking of other actions, which allow us to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued, (2) paying a tax equal to the greater of (a) $50,000 or (b) the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets, and (3) disclosing certain information to the IRS.

Although we believe we have satisfied the asset tests described above and plan to take steps to ensure that we satisfy such tests for any quarter with respect to which retesting is to occur, there can be no assurance that we will always be successful, or will not require a reduction in our operating partnership's overall interest in an issuer (including in a taxable REIT subsidiary). If we fail to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, we would cease to qualify as a REIT.

Annual Distribution Requirements

To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

- 90% of our "REIT taxable income"; and
- 90% of our after-tax net income, if any, from foreclosure property; minus
- the excess of the sum of certain items of non-cash income over 5% of our "REIT taxable income."

For these purposes, our "REIT taxable income" is computed without regard to the dividends paid deduction and our net capital gain. In addition, for purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount on purchase money debt, cancellation of indebtedness, or a like-kind exchange that is later determined to be taxable.

In addition, if we dispose of any asset we acquired from a corporation which is or has been a C corporation in a transaction in which our basis in the asset is determined by reference to the basis of the asset in the hands of that C corporation, within the ten-year period following our acquisition of such asset, we would be required to distribute at least 90% of the after-tax gain, if any, we recognized on the disposition of the asset, to the extent that gain does not exceed the excess of (a) the fair market value of the asset over (b) our adjusted basis in the asset, in each case, on the date we acquired the asset.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, the amount distributed must not be preferential—*i.e.*, every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be required to pay tax on the undistributed amount at regular corporate tax rates. We believe that we will make timely distributions sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the partnership agreement of our operating partnership authorizes us, as general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock dividends in order to meet the distribution requirements, while preserving our cash. In addition, we may decide to retain our cash, rather than distribute it, in order to repay debt or for other reasons.

Pursuant to recent IRS guidance, certain part-stock and part-cash dividends distributed by publicly traded REITs with respect to calendar years 2008 though 2011, and in some cases declared as late as December 31, 2012, will be treated as distributions for purposes of the REIT distribution requirements. Under the terms of this Revenue Procedure, up to 90% of our distributions could be paid in shares of our stock. If we make such a distribution, taxable stockholders would be required to include the full amount of the dividend (*i.e.*, the cash and the stock portion) as ordinary income (subject to limited exceptions), to the extent of our current and accumulated earnings and profits for federal income tax purposes, as described under the headings "—Federal Income Tax Considerations for Holders of Our Common Stock—Taxation of Taxable U.S. Stockholders—Distributions Generally" and "—Federal Income Tax Considerations for Holders of Our Common Stock—Taxation of Non-U.S. Stockholders— Distributions Generally." As a result, our stockholders could recognize taxable income in excess of the cash received and may be required to pay tax with respect to such dividends in excess of the cash received. If a taxable stockholder sells the stock it receives as a dividend, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of

the stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock.

Under some circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends.

Furthermore, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of 85% of our ordinary income for such year, 95% of our capital gain net income for the year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year, will be treated as paid by us and received by our stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges

We may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Failure To Qualify

If we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT, certain specified cure provisions may be available to us. Except with respect to violations of the gross income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to satisfy the requirements for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be required to pay tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us, and we will not be required to distribute any amounts to our stockholders. As a result, we anticipate that our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, all distributions to stockholders will be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. In such event, corporate distributees may be eligible for the dividends-received deduction. In addition, non-corporate stockholders, including individuals, may be eligible for the preferential tax rates on qualified dividend income. Unless entitled to relief under specific statutory provisions, we will also be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lost our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies

General. All of our investments will be held indirectly through our operating partnership. In addition, our operating partnership will hold certain of its investments indirectly through subsidiary partnerships and limited liability companies which we expect will be treated as partnerships or disregarded entities for federal

income tax purposes. In general, entities that are classified as partnerships or disregarded entities for federal income tax purposes are "pass-through" entities which are not required to pay federal income tax. Rather, partners or members of such entities are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership or limited liability company, and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership or limited liability company. We will include in our income our share of these partnership and limited liability company items for purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requirements. Moreover, for purposes of the asset tests, we will include our pro rata share of assets held by our operating partnership, including its share of its subsidiary partnerships and limited liability companies, based on our capital interests in each such entity. See "—Taxation of Our Company."

Entity Classification. Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships (or disregarded entities). For example, an entity that would otherwise be classified as a partnership for federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership" and certain other requirements are met. A partnership or limited liability company would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. Interests in a partnership are not treated as readily tradable on a secondary market, or the substantial equivalent thereof, if all interests in the partnership were issued in one or more transactions that were not required to be registered under the Securities Act, and the partnership does not have more than 100 partners at any time during the taxable year of the partnership, taking into account certain ownership attribution and anti-avoidance rules (the "100 Partner Safe Harbor"). Our operating partnership may not qualify for the 100 Partner Safe Harbor. In the event that the 100 Partner Safe Harbor or certain other safe harbor provisions of applicable Treasury Regulations are not available, our operating partnership could be classified as a publicly traded partnership.

If our operating partnership does not qualify for the 100 Partner Safe Harbor, interests in our operating partnership may nonetheless be viewed as not readily tradable on a secondary market or the substantial equivalent thereof if the sum of the percentage interests in capital or profits of our operating partnership transferred during any taxable year of our operating partnership does not exceed 2% of the total interests in our operating partnership's capital or profits, subject to certain exceptions. For purpose of this 2% trading restriction, our interests in our operating partnership are excluded from the determination of the percentage interests in capital or profits of our operating partnership. In addition, this 2% trading restriction does not apply to transfers by a limited partner in one or more transactions during any 30-day period representing in the aggregate more than 2% of the total interests in our operating partnership's capital or profits. We, as general partner of our operating partnership, have the authority to take any steps we determine necessary or appropriate to prevent any trading of interests in our operating partnership that would cause our operating partnership to become a publicly traded partnership, including any steps necessary to ensure compliance with this 2% trading restriction.

We believe our operating partnership and each of our other partnerships and limited liability companies will be classified as partnerships or disregarded entities for federal income tax purposes, and we do not anticipate that our operating partnership or any subsidiary partnership or limited liability company will be treated as a publicly traded partnership that is taxable as a corporation.

If our operating partnership or any of our other partnerships or limited liability companies were to be treated as a publicly traded partnership, it would be taxable as a corporation unless it qualified for the statutory "90% qualifying income exception." Under that exception, a publicly traded partnership is not subject to corporate-level tax if 90% or more of its gross income consists of dividends, interest, "rents from real property" (as that term is defined for purposes of the rules applicable to REITs, with certain modifications), gain from the sale or other disposition of real property, and certain other types of qualifying income. However, if any such entity did not qualify for this exception or was otherwise taxable as a corporation, it would be required to pay an

entity-level tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the REIT income tests. See "—Taxation of Our Company—Asset Tests" and "—Income Tests." This, in turn, could prevent us from qualifying as a REIT. See "—Failure to Qualify" for a discussion of the effect of our failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary partnership or limited liability company might be treated as a taxable event. If so, we might incur a tax liability without any related cash payment.

Allocations of Income, Gain, Loss and Deduction. Except for special allocations to holders of LTIP units described under "Description of the Partnership Agreement of American Assets Trust, L.P.—Special Allocations and Liquidations Distributions on LTIP Units," the operating partnership agreement generally provides that allocations of net income to holders of common units generally will be made proportionately to all such holders in respect of such units. Certain limited partners will have the opportunity to guarantee debt of our operating partnership, indirectly through an agreement to make capital contributions to our operating partnership under limited circumstances. As a result of these guaranties or contribution agreements, and notwithstanding the foregoing discussion of allocations of income and loss of our operating partnership to holders of units, such limited partners could under limited circumstances be allocated a disproportionate amount of net loss upon a liquidation of our operating partnership, which net loss would have otherwise been allocable to us.

If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Our operating partnership's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder.

Tax Allocations With Respect to the Properties. Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership, must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution, as adjusted from time to time. These allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Our operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnership. In that case, the tax basis of these property interests generally carries over to the operating partnership, notwithstanding their different book (*i.e.*, fair market) value (this difference is referred to as a book-tax difference). The partnership agreement requires that income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. Depending on the method we choose in connection with any particular contribution, the carryover basis of each of the contributed interests in the properties in the hands of our operating partnership (1) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if any of the contributed properties were to have a tax basis equal to its respective fair market value at the time of the contribution and (2) could cause us to be allocated taxable gain in the event of a sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale, with a corresponding benefit to the other partners in our operating partnership. An allocation described in clause (2) above might cause us or the other partners to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements. See "—General—Requirements for Qualification as a REIT" and "—Annual Distribution Requirements."

Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code generally will not apply.

Certain Tax Considerations Related to the Formation Transactions

As described under "Structure and Formation of Our Company—Formation Transactions," we intend to acquire certain entities through separate mergers of such entities with and into us. Each such merger is intended to constitute a "reorganization" within the meaning of Section 368(a) of the Code. If each merger qualifies as a reorganization for U.S. federal income tax purposes, we will succeed to the tax liabilities and earnings and profits, if any, of each acquired entity, and our tax basis of the assets we acquire from each such entity will be determined by reference to the tax basis of the asset in the hands of each such entity.

To qualify as a REIT, any earnings and profits accumulated in a year in which we, or any entity the earnings and profits of which we succeed to, were not a REIT must be distributed as of the close of the taxable year in which we accumulated or acquired such earnings and profits. Some of the entities merging with and into us have elected since their formation to be taxed as an S corporation for U.S. federal income tax purposes. Assuming each such entity has at all times so qualified, we believe those entities will have no accumulated earnings and profits at the time of the formation transactions. However, if any of these entities did not qualify as an S corporation for U.S. federal income tax purposes, we may succeed to earnings and profits accumulated by such entities, which we would be required to distribute by the close of the taxable year in which the merger occurs. In addition, certain taxable C corporations are also merging with and into us in connection with the formation transactions, and we will be required to distribute any earnings and profits accumulated by such entities by the close of the taxable year in which each such merger occurs. If the IRS were to determine that we acquired earnings and profits that we failed to distribute prior to the end of the appropriate taxable year, we could avoid disqualification as a REIT by using "deficiency dividend" procedures. Under these procedures, we generally would be required to distribute any such earnings and profits to our stockholders within 90 days of the determination and pay a statutory interest charge at a specified rate to the IRS.

In addition, in the case of assets we acquire from a C corporation in a transaction in which the tax basis of corporation's assets in our hands is determined by reference to the tax basis of the asset in the hands of the corporation (a "Carry-Over Basis Transaction"), if we dispose of any such asset in a taxable transaction during the ten-year period beginning on the date of the Carry-Over Basis Transaction, then we will be required to pay tax at the highest regular corporate tax rate on the gain recognized to the extent of the excess of (a) the fair market value of the asset over (b) our tax basis in the asset, in each case determined as of the date of the Carry-Over Basis Transaction. The foregoing rules regarding the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation. Assuming that each target entity that has elected to be taxed as an S corporation at all times so qualified for U.S. federal income tax purposes, and has not acquired assets from a C corporation in a Carry-Over Basis Transaction, we will not be treated as acquiring assets from a C corporation in a Carry-Over Basis Transaction with respect to our merger with each such entity. However, because we are also merging with certain entities that are taxable C corporations, we will be treated as acquiring assets from a C corporation in a Carry-Over Basis Transaction with respect to such mergers, and any sales of such assets in a taxable transaction during the ten-year period beginning on the date of the merger would be subject to taxation as described above.

Furthermore, our tax basis in the assets we acquire in a Carry-Over Basis Transaction will be lower than the assets' fair market values. This lower tax basis could cause us to have lower depreciation deductions and more gain on a subsequent sale of the assets than would be the case if we had directly purchased the assets in a taxable transaction.

If any of the mergers described above does not qualify as a reorganization within the meaning of Section 368(a) of the Code, the merger would be treated as a sale of the assets of the applicable target entity to us in a taxable transaction, and such entity would recognize taxable gain. In such a case, as the successor-in-interest

to the target entity, we would be required to pay the tax on any such gain, but we would not succeed to the earnings and profits, if any, of such entity and our tax basis of the assets we acquire from such entity would not be determined by reference to the basis of the asset in the hands of such entity.

Federal Income Tax Considerations for Holders of Our Common Stock

The following summary describes the principal federal income tax consequences to you of purchasing, owning and disposing of our common stock. This summary assumes you hold shares of our common stock as a "capital asset" (generally, property held for investment within the meaning of Section 1221 of the Code). It does not address all the tax consequences that may be relevant to you in light of your particular circumstances. In addition, this discussion does not address the tax consequences relevant to persons who receive special treatment under the federal income tax law, except where specifically noted. Holders receiving special treatment include, without limitation:

- financial institutions, banks and thrifts;
- insurance companies;
- tax-exempt organizations;
- "S" corporations;
- traders in securities that elect to mark to market;
- partnerships, pass-through entities and persons holding our stock through a partnership or other pass-through entity;
- stockholders subject to the alternative minimum tax;
- regulated investment companies and REITs;
- foreign governments and international organizations;
- broker-dealers or dealers in securities or currencies;
- U.S. expatriates;
- persons holding our stock as part of a hedge, straddle, conversion, integrated or other risk reduction or constructive sale transaction; or
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar.

If you are considering purchasing our common stock, you should consult your tax advisors concerning the application of federal income tax laws to your particular situation as well as any consequences of the purchase, ownership and disposition of our common stock arising under the laws of any state, local or non-U.S. taxing jurisdiction.

When we use the term "U.S. stockholder," we mean a holder of shares of our common stock who, for federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or of any state thereof or in the District of Columbia;

- an estate the income of which is subject to federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If you hold shares of our common stock and are not a U.S. stockholder, you are a "non-U.S. stockholder."

If a partnership or other entity treated as a partnership for federal income tax purposes holds shares of our common stock, the tax treatment of a partner generally will depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding shares of our common stock are encouraged to consult their tax advisors.

Taxation of Taxable U.S. Stockholders

Distributions Generally. Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax discussed below, will be taxable to our taxable U.S. stockholders as ordinary income when actually or constructively received. See "—Tax Rates" below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. stockholders that are corporations or, except to the extent provided in "—Tax Rates" below, the preferential rates on qualified dividend income applicable to non-corporate U.S. stockholders, including individuals.

To the extent that we make distributions on our common stock in excess of our current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to a U.S. stockholder. This treatment will reduce the U.S. stockholder's adjusted tax basis in such shares of stock by the amount of the distribution, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. stockholder's adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in October, November, or December of any year and which are payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

Certain stock dividends, including dividends partially paid in our stock and partially paid in cash that comply with IRS Revenue Procedure 2010-12, will be taxable to the recipient U.S. stockholder to the same extent as if paid in cash.

Capital Gain Dividends. Dividends that we properly designate as capital gain dividends will be taxable to our U.S. stockholders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the taxable year. U.S. stockholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income.

Retention of Net Capital Gains. We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, our earnings and profits (determined for federal income tax purposes) would be adjusted accordingly, and a U.S. stockholder generally would:

- include its pro rata share of our undistributed net capital gains in computing its long-term capital gains in its return for its taxable year in which the last day of our taxable year falls, subject to certain limitations as to the amount that is includable;

- be deemed to have paid its share of the capital gains tax imposed on us on the designated amounts included in the U.S. stockholder's income as long-term capital gain;
- receive a credit or refund for the amount of tax deemed paid by it;
- increase the adjusted basis of its stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and
- in the case of a U.S. stockholder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

Passive Activity Losses and Investment Interest Limitations. Distributions we make and gain arising from the sale or exchange by a U.S. stockholder of our shares will not be treated as passive activity income. As a result, U.S. stockholders generally will not be able to apply any "passive losses" against this income or gain. A U.S. stockholder may elect to treat capital gain dividends, capital gains from the disposition of our stock and income designated as qualified dividend income, described in "—Tax Rates" below, as investment income for purposes of computing the investment interest limitation, but in such case, the stockholder will be taxed at ordinary income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Dispositions of Our Common Stock. If a U.S. stockholder sells or disposes of shares of common stock, it will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder's adjusted basis in the shares. This gain or loss, except as provided below, will be a long-term capital gain or loss if the holder has held such common stock for more than one year. However, if a U.S. stockholder recognizes a loss upon the sale or other disposition of common stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. stockholder received distributions from us which were required to be treated as long-term capital gains.

Tax Rates. The maximum tax rate for non-corporate taxpayers for (1) capital gains, including certain "capital gain dividends," has generally been reduced to 15% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) "qualified dividend income" has generally been reduced to 15%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT's dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if it distributed taxable income that it retained and paid tax on in the prior taxable year) or to dividends properly designated by the REIT as "capital gain dividends." The currently applicable provisions of the federal income tax laws relating to the 15% tax rate are currently scheduled to "sunset" or revert to the provisions of prior law effective for taxable years beginning after December 31, 2010, at which time the capital gains tax rate will be increased to 20% and the rate applicable to dividends will be increased to the tax rate then applicable to ordinary income. U.S. stockholders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income.

Medicare Tax on Unearned Income. Newly enacted legislation requires certain U.S. stockholders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common stock.

New Legislation Relating to Foreign Accounts. Under newly enacted legislation, certain payments made after December 31, 2012 to "foreign financial institutions" in respect of accounts of U.S. stockholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this new legislation on their ownership and disposition of our common stock. See "—Taxation of Non-U.S. Stockholders—New Legislation Relating to Foreign Accounts."

Information Reporting and Backup Withholding. We are required to report to our U.S. stockholders and the IRS the amount of dividends paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to dividends paid unless the holder comes within certain exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide us with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stockholder's federal income tax liability, provided the required information is timely furnished to the IRS. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status. See "—Taxation of Non-U.S. Stockholders."

Taxation of Tax-Exempt Stockholders

Dividend income from us and gain arising upon a sale of our shares generally should not be unrelated business taxable income, or UBTI, to a tax-exempt stockholder, except as described below. This income or gain will be UBTI, however, if a tax-exempt stockholder holds its shares as "debt-financed property" within the meaning of the Code or if the shares are used in a trade or business of the tax-exempt stockholder. Generally, "debt-financed property" is property the acquisition or holding of which was financed through a borrowing by the tax-exempt stockholder.

For tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, or qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respectively, income from an investment in our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" may be treated as unrelated business taxable income as to certain trusts that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a "pension-held REIT" if it is able to satisfy the "not closely held" requirement without relying on the "look-through" exception with respect to certain trusts or if such REIT is not "predominantly held" by "qualified trusts." As a result of restrictions on ownership and transfer of our stock contained in our charter, we do not expect to be classified as a "pension-held REIT," and as a result, the tax treatment described above should be inapplicable to our stockholders. However, because our stock will be publicly traded, we cannot guarantee that this will always be the case.

Taxation of Non-U.S. Stockholders

The following discussion addresses the rules governing federal income taxation of the purchase, ownership and disposition of our common stock by non-U.S. stockholders. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of federal income taxation and does not address state, local or non-U.S. tax consequences that may be relevant to a non-U.S. stockholder in light of its particular circumstances. We urge non-U.S. stockholders to consult their tax advisors to determine the impact of federal, state, local and non-U.S. income tax laws on the purchase, ownership and disposition of shares of our common stock, including any reporting requirements.

Distributions Generally. Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by us of U.S. real property interests nor designated by us as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to withholding of federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively connected with the conduct by the non-U.S. stockholder of a U.S. trade or business. Under certain treaties, however, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT. Certain certification and disclosure requirements must be satisfied to be exempt from withholding under the effectively connected income exemption. Dividends that are treated as effectively connected with a U.S. trade or business will generally not be subject to withholding but will be subject to federal income tax on a net basis at graduated rates, in the same manner as dividends paid to U.S. stockholders are subject to federal income tax. Any such dividends received by a non-U.S. stockholder that is a corporation may also be subject to an additional branch profits tax at a 30% rate (applicable after deducting federal income taxes paid on such effectively connected income) or such lower rate as may be specified by an applicable income tax treaty.

Except as otherwise provided below, we expect to withhold federal income tax at the rate of 30% on any distributions made to a non-U.S. stockholder unless:

(1) a lower treaty rate applies and the non-U.S. stockholder files with us an IRS Form W-8BEN evidencing eligibility for that reduced treaty rate; or

(2) the non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is income effectively connected with the non-U.S. stockholder's trade or business.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. stockholder to the extent that such distributions do not exceed the adjusted basis of the stockholder's common stock, but rather will reduce the adjusted basis of such stock. To the extent that such distributions exceed the non-U.S. stockholder's adjusted basis in such common stock, they will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below. For withholding purposes, we expect to treat all distributions as made out of our current or accumulated earnings and profits. However, amounts withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits, provided that certain conditions are met.

Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of U.S. Real Property Interests. Distributions to a non-U.S. stockholder that we properly designate as capital gain dividends, other than those arising from the disposition of a U.S. real property interest, generally should not be subject to federal income taxation, unless:

(1) the investment in our stock is treated as effectively connected with the non-U.S. stockholder's U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, except that a non-U.S. stockholder that is a non-U.S. corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or

(2) the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Pursuant to the Foreign Investment in Real Property Tax Act, which is referred to as "FIRPTA," distributions to a non-U.S. stockholder that are attributable to gain from sales or exchanges by us of "U.S. real property interests," or USRPI, whether or not designated as capital gain dividends, will cause the non-U.S. stockholder to be treated as recognizing such gain as income effectively connected with a U.S. trade or business. Non-U.S. stockholders would generally be taxed at the same rates applicable to U.S. stockholders, subject to any

applicable alternative minimum tax. We also will be required to withhold and to remit to the IRS 35% (or 15% to the extent provided in Treasury Regulations) of any distribution to non-U.S. stockholders that is designated as a capital gain dividend or, if greater, 35% of any distribution to non-U.S. stockholders that could have been designated as a capital gain dividend. The amount withheld is creditable against the non-U.S. stockholder's federal income tax liability. However, any distribution with respect to any class of stock that is "regularly traded" on an established securities market located in the United States is not subject to FIRPTA, and therefore, not subject to the 35% U.S. withholding tax described above, if the non-U.S. stockholder did not own more than 5% of such class of stock at any time during the one-year period ending on the date of the distribution. Instead, such distributions will generally be treated as ordinary dividend distributions and subject to withholding in the manner described above with respect to ordinary dividends.

Retention of Net Capital Gains. Although the law is not clear on the matter, it appears that amounts designated by us as retained net capital gains in respect of the stock held by stockholders generally should be treated with respect to non-U.S. stockholders in the same manner as actual distributions of capital gain dividends. Under that approach, the non-U.S. stockholders would be able to offset as a credit against their federal income tax liability resulting from their proportionate share of the tax paid by us on such retained net capital gains and to receive from the IRS a refund to the extent their proportionate share of such tax paid by us exceeds their actual federal income tax liability. If we were to designate any portion of our net capital gain as retained net capital gain, a non-U.S. stockholder should consult its tax advisor regarding the taxation of such retained net capital gain.

Sale of Our Common Stock. Gain recognized by a non-U.S. stockholder upon the sale, exchange or other taxable disposition of our common stock generally will not be subject to federal income taxation unless such stock constitutes a USRPI. In general, stock of a domestic corporation that constitutes a "U.S. real property holding corporation," or USRPHC, will constitute a USRPI. We expect that we will be a USRPHC. Our common stock will not, however, constitute a USRPI so long as we are a "domestically controlled qualified investment entity." A "domestically controlled qualified investment entity" includes a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by non-U.S. stockholders. We believe, but cannot guarantee, that we are a "domestically controlled qualified investment entity." Because our common stock will be publicly traded, no assurance can be given that we will continue to be a "domestically controlled qualified investment entity."

Notwithstanding the foregoing, gain from the sale, exchange or other taxable disposition of our common stock not otherwise subject to FIRPTA will be taxable to a non-U.S. stockholder if either (a) the investment in our common stock is treated as effectively connected with the non-U.S. stockholder's U.S. trade or business or (b) the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our stock (subject to the 5% exception applicable to "regularly traded" stock described below), a non-U.S. stockholder may be treated as having gain from the sale or other taxable disposition of a USRPI if the non-U.S. stockholder (1) disposes of our stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, or is deemed to acquire, other shares of that stock during the 61-day period beginning with the first day of the 30-day period described in clause (1).

Even if we do not qualify as a "domestically controlled qualified investment entity" at the time a non-U.S. stockholder sells our stock, gain arising from the sale or other taxable disposition by a non-U.S. stockholder of such stock would not be subject to federal income taxation under FIRPTA as a sale of a USRPI if:

(1) such class of stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market such as the NYSE; and

(2) such non-U.S. stockholder owned, actually and constructively, 5% or less of such class of our stock throughout the five-year period ending on the date of the sale or exchange.

If gain on the sale, exchange or other taxable disposition of our common stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to regular federal income tax with respect to such gain in the same manner as a taxable U.S. stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, if the sale, exchange or other taxable disposition of our common stock were subject to taxation under FIRPTA, and if shares of our common stock were not "regularly traded" on an established securities market, the purchaser of such common stock would generally be required to withhold and remit to the IRS 10% of the purchase price.

Information Reporting and Backup Withholding Tax. Generally, we must report annually to the IRS the amount of dividends paid to a non-U.S. stockholder, such holder's name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. stockholder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the non-U.S. stockholder's country of residence.

Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. stockholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we have or our paying agent has actual knowledge, or reason to know, that a non-U.S. stockholder is a U.S. person.

Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is timely furnished to the IRS.

New Legislation Relating to Foreign Accounts. Newly enacted legislation may impose withholding taxes on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities. Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. stockholders that own the shares through foreign accounts or foreign intermediaries and certain non-U.S. stockholders. The legislation imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, our stock paid to a foreign financial institution or to a foreign nonfinancial entity, unless (1) the foreign financial institution undertakes certain diligence and reporting obligations or (2) the foreign non-financial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. In addition, if the payee is a foreign financial institution, it generally must enter into an agreement with the U.S. Treasury that requires, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to certain other account holders. The legislation applies to payments made after December 31, 2012. Prospective investors should consult their tax advisors regarding this legislation.

Other Tax Consequences

State, local and non-U.S. income tax laws may differ substantially from the corresponding federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or non-U.S. jurisdiction. You should consult your tax advisor regarding the effect of state, local and non-U.S. tax laws with respect to our tax treatment as a REIT and on an investment in our common stock.

ERISA CONSIDERATIONS

General

The following is a summary of certain considerations arising under the Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser that is an employee benefit plan subject to ERISA. The following summary may also be relevant to a prospective purchaser that is not an employee benefit plan subject to ERISA, but is a tax-qualified retirement plan or an individual retirement account, individual retirement annuity, medical savings account or education individual retirement account, which we refer to collectively as an "IRA." This discussion does not address all aspects of ERISA or Section 4975 of the Code or, to the extent not preempted, state law that may be relevant to particular employee benefit plan stockholders in light of their particular circumstances, including plans subject to Title I of ERISA, other employee benefit plans and IRAs subject to the prohibited transaction provisions of Section 4975 of the Code, and governmental, church, foreign and other plans that are exempt from ERISA and Section 4975 of the Code but that may be subject to other federal, state, local or foreign law requirements.

A fiduciary making the decision to invest in shares of our common stock on behalf of a prospective purchaser which is an ERISA plan, a tax qualified retirement plan, an IRA or other employee benefit plan is advised to consult its legal advisor regarding the specific considerations arising under ERISA, Section 4975 of the Code, and, to the extent not preempted, state law with respect to the purchase, ownership or sale of shares of our common stock by the plan or IRA.

Plans should also consider the entire discussion under the heading "Federal Income Tax Considerations," as material contained in that section is relevant to any decision by an employee benefit plan, tax-qualified retirement plan or IRA to purchase our common stock.

Employee Benefit Plans, Tax-Qualified Retirement Plans and IRAs

Each fiduciary of an "ERISA plan," which is an employee benefit plan subject to Title I of ERISA, should carefully consider whether an investment in shares of our common stock is consistent with its fiduciary responsibilities under ERISA. In particular, the fiduciary requirements of Part 4 of Title I of ERISA require that:

- an ERISA plan make investments that are prudent and in the best interests of the ERISA plan, its participants and beneficiaries;
- an ERISA plan make investments that are diversified in order to reduce the risk of large losses, unless it is clearly prudent for the ERISA plan not to do so;
- an ERISA plan's investments are authorized under ERISA and the terms of the governing documents of the ERISA plan; and
- the fiduciary not cause the ERISA plan to enter into transactions prohibited under Section 406 of ERISA (and certain corresponding provisions of the Code).

In determining whether an investment in shares of our common stock is prudent for ERISA purposes, the appropriate fiduciary of an ERISA plan should consider all of the facts and circumstances, including whether the investment is reasonably designed, as a part of the ERISA plan's portfolio for which the fiduciary has investment responsibility, to meet the objectives of the ERISA plan, taking into consideration the risk of loss and opportunity for gain or other return from the investment, the diversification, cash flow and funding requirements of the ERISA plan, and the liquidity and current return of the ERISA plan's portfolio. A fiduciary should also take into account the nature of our business, the length of our operating history and other matters described in the

section entitled “Risk Factors.” Specifically, before investing in shares of our common stock, any fiduciary should, after considering the employee plan’s or IRA’s particular circumstances, determine whether the investment is appropriate under the fiduciary standards of ERISA or other applicable law including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA and the Code.

Our Status Under ERISA

In some circumstances where an ERISA plan holds an interest in an entity, the assets of the entity are deemed to be ERISA plan assets. This is known as the “look-through rule.” Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favorable statutory or administrative exemption or exception applies). For example, a prohibited transaction may occur if our assets are deemed to be assets of investing ERISA plans and persons who have certain specified relationships to an ERISA plan (“parties in interest” within the meaning of ERISA, and “disqualified persons” within the meaning of the Code) deal with these assets. Further, if our assets are deemed to be assets of investing ERISA plans, any person that exercises authority or control with respect to the management or disposition of the assets is an ERISA plan fiduciary.

ERISA plan assets are not defined in ERISA or the Code, but the United States Department of Labor has issued regulations that outline the circumstances under which an ERISA plan’s interest in an entity will be subject to the look-through rule. The Department of Labor regulations apply to the purchase by an ERISA plan of an “equity interest” in an entity, such as stock of a REIT. However, the Department of Labor regulations provide an exception to the look-through rule for equity interests that are “publicly offered securities.”

Under the Department of Labor regulations, a “publicly offered security” is a security that is:

- freely transferable;
- part of a class of securities that is widely held; and
- either part of a class of securities that is registered under section 12(b) or 12(g) of the Exchange Act or sold to an ERISA plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and the class of securities of which this security is a part is registered under the Exchange Act within 120 days, or longer if allowed by the SEC, after the end of the fiscal year of the issuer during which this offering of these securities to the public occurred.

Whether a security is considered “freely transferable” depends on the facts and circumstances of each case. Under the Department of Labor regulations, if the security is part of an offering in which the minimum investment is $10,000 or less, then any restriction on or prohibition against any transfer or assignment of the security for the purposes of preventing a termination or reclassification of the entity for federal or state tax purposes will not ordinarily prevent the security from being considered freely transferable. Additionally, limitations or restrictions on the transfer or assignment of a security which are created or imposed by persons other than the issuer of the security or persons acting for or on behalf of the issuer will ordinarily not prevent the security from being considered freely transferable.

A class of securities is considered “widely held” if it is a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be “widely held” because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer’s control.

The shares of our common stock offered in this prospectus may meet the criteria of the publicly offered securities exception to the look-through rule. First, the common stock could be considered to be freely transferable, as the minimum investment will be less than $10,000 and the only restrictions upon its transfer are those generally permitted under the Department of Labor regulations, those required under federal tax laws to maintain our status as a REIT, resale restrictions under applicable federal securities laws with respect to securities not purchased pursuant to this prospectus and those owned by our officers, directors and other affiliates, and voluntary restrictions agreed to by the selling stockholder regarding volume limitations.

Second, we expect (although we cannot confirm) that our common stock will be held by 100 or more investors, and we expect that at least 100 or more of these investors will be independent of us and of one another.

Third, the shares of our common stock will be part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the common stock is registered under the Exchange Act.

In addition, the Department of Labor regulations provide exceptions to the look-through rule for equity interests in some types of entities, including any entity which qualifies as either a "real estate operating company" or a "venture capital operating company."

Under the Department of Labor regulations, a "real estate operating company" is defined as an entity which on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost:

- invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development activities; and
- which, in the ordinary course of its business, is engaged directly in real estate management or development activities.

According to those same regulations, a "venture capital operating company" is defined as an entity which on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost:

- invested in one or more operating companies with respect to which the entity has management rights; and
- which, in the ordinary course of its business, actually exercises its management rights with respect to one or more of the operating companies in which it invests.

We have not endeavored to determine whether we will satisfy the "real estate operating company" or "venture capital operating company" exception.

Prior to making an investment in the shares offered in this prospectus, prospective employee benefit plan investors (whether or not subject to ERISA or section 4975 of the Code) should consult with their legal and other advisors concerning the impact of ERISA and the Code (and, particularly in the case of non-ERISA plans and arrangements, any additional state, local and foreign law considerations), as applicable, and the potential consequences in their specific circumstances of an investment in such shares.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Wells Fargo Securities, LLC	
Morgan Stanley & Co. Incorporated	
Total	

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of common stock sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares of common stock, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, including the filing fees and reasonable fees and disbursements of counsel to the underwriters in connection with FINRA filings, but not including the underwriting discount, are estimated at $ million and are payable by us.

Overallotment Option

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional shares at the public offering price, less the underwriting discount. The underwriters may exercise this option solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Reserved Shares

At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares of common stock offered by this prospectus for sale to our directors, officers, employees, friends and family. The number of shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase such reserved shares. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our common stock offered by this prospectus. All purchasers of reserved shares will be subject to a -day lock-up with respect to any shares sold to them pursuant to the reserved share program. This lock-up will have similar restrictions and an identical extension provision to the lock-up agreements described below.

No Sales of Similar Securities

We, our executive officers, directors and director nominees and their affiliates, as well as each of the prior investors have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for or exercisable for common stock, for 365 days (with respect to Mr. Rady and our other directors, director nominees and executive officers and their affiliates) and 180 days (with respect to the other prior investors and us) after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement or transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares of common stock or other securities, in cash or otherwise.

The restrictions described in the immediately preceding paragraph do not apply to: (A) with respect to the company, (1) the sale of shares to the underwriters, (2) any shares of our common stock issued or options to purchase our common stock granted pursuant to our existing employee benefit plans referred to in this prospectus, (3) any shares of our common stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan referred to in this prospectus, (4) any shares of our common stock or units issued in connection with the formation transactions, (5) shares of our common stock transferred in accordance with

Article VI of our charter, (6) shares of our common stock, in the aggregate not to exceed 10% of the number of shares of common stock outstanding, issued in connection with other acquisitions of real property or real property companies, provided, in the case of this clause (6), that each acquirer agrees to similar restrictions, and (7) the filing of a registration statement on Form S-8 relating to the offering of securities in accordance with the terms of an equity incentive plan; (B) with respect to our officers, directors, director nominees and their affiliates, as well as prior investors, (1)(i) the establishment of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the lock-up period referred to above, (ii) *bona fide* gifts or gifts or other dispositions by will or intestacy, (iii) transfers made (a) to any trust for the direct or indirect benefit of the transferor or the immediate family of the transferor, (b) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the transferor or the immediate family member of the transferor, (c) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction, (d) as a distribution to limited partners, limited liability company members or stockholders of the transferor, (e) to the transferor's affiliates or to any investment fund or other entity controlled or managed by the transferor, (f) to the company upon termination of the transferor's employment with the company, (g) to pay the exercise price of options to purchase common stock pursuant to the cashless exercise feature of such options, or (h) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) or (iii)(a) through (g) above; provided that, in the case of this clause (1), (w) the representatives receive a signed lock-up agreement for the balance of the lock-up period from each donee, trustee, distributee, or transferee, as the case may be, (x) any such transfer shall not involve a disposition for value, (y) such transfers or other actions are not required to be reported with the SEC on Form 4 in accordance with Section 16 of the Exchange Act, and (z) the transferor does not otherwise voluntarily effect any public filing or report regarding such transfers, and (2) transactions relating to shares of our common stock acquired by the transferor in the open market after completion of the offering; provided, however, that (i) any subsequent sale of the shares of our common stock acquired in the open market are not required to be reported in any public report or filing with the SEC, or otherwise and (ii) the transferor does not otherwise voluntarily effect any public filing or report regarding such sales; and (C) with respect to Mr. Rady and his affiliates, including the Rady Trust, in addition to the exceptions set forth in clause (B) above, transfers made to an escrow account by Mr. Rady or any of his affiliates, or from an escrow account to the company, in connection with the operation of any pledge arrangements entered into pursuant to indemnification obligations under agreements entered into in connection with the formation transactions, in each case for the benefit of the company.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of the lock-up period referred to above, we issue an earnings release or material news or a material event relating to us occurs or (y) prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the lock-up period, the restrictions described above may, at the representatives' discretion, continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

New York Stock Exchange Listing

We expect the shares of common stock to be approved for listing on the NYSE under the symbol "AAT." In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares of common stock to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the prospects for our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares of common stock may not develop. It is also possible that after the offering the shares of common stock will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares of common stock is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ overallotment option described above. The underwriters may close out any covered short position by either exercising their overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. “Naked” short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, certain of the underwriters may facilitate Internet distribution for this offering to certain of their Internet subscription customers. These underwriters may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus may be available on the Internet Web site maintained by certain underwriters. Other than any prospectus in electronic format, the information on an underwriter's Web site is not part of this prospectus.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, are lenders under two outstanding loans totaling approximately $31.6 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. Additionally, affiliates of Wells Fargo Securities, LLC, another underwriter in this offering, are lenders under three outstanding loans totaling approximately $44.8 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. As such, these affiliates will receive the portion of the net proceeds of this offering that are used to repay such indebtedness.

Certain affiliates of the underwriters will participate as lenders under the $ million revolving credit facility that we anticipate entering into upon the completion of this offering. In their capacity as lenders, these affiliates of the underwriters will receive certain financing fees in connection with the credit facility in addition to the underwriting discounts and commissions that may result from this offering.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of common stock which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Managers to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares shall result in a requirement for the publication by us or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares of common stock contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(a) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (1) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (2) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (1) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (2) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

This document, as well as any other material relating to the shares which are the subject of the offering contemplated by this prospectus, do not constitute an issue prospectus pursuant to Articles 652a and/or 1156 of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The shares are being offered in Switzerland by way of a private placement, *i.e*., to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by the issuer from time to time. This document, as well as any other material relating to the shares, is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The securities to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Latham & Watkins LLP and for the underwriters by Hogan Lovells US LLP. Venable LLP will pass upon the validity of the shares of common stock sold in this offering and certain other matters of Maryland law.

EXPERTS

The (1) balance sheet of American Assets Trust, Inc. as of August 12, 2010; (2) combined financial statements of American Assets Trust, Inc. Predecessor at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; (3) financial statements of Novato FF Venture, LLC at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; (4) statements of revenue and certain operating expenses of The Landmark at One Market for the years ended December 31, 2009, 2008 and 2007; (5) combined statements of revenues and certain operating expenses of Solana Beach Centre for the years ended December 31, 2009, 2008 and 2007, all appearing in this Prospectus and Registration Statement, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The (1) consolidated financial statements of ABW Lewers LLC at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; and (2) combined financial statements of Waikiki Beach Walk-Hotel Ownership Entities at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, all appearing in this Prospectus and Registration Statement, have been audited by Accuity LLP, an independent registered public accounting firm, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unless otherwise indicated, the statistical and economic market data included in this prospectus, including information relating to the economic conditions within our markets contained in “Prospectus Summary” and “Industry Background and Market Opportunity” is derived from market information prepared for us by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm, and is included in this prospectus in reliance on RCG’s authority as an expert in such matters. We paid RCG a fee of $32,500 for its services.

WHERE YOU CAN FIND MORE INFORMATION

We maintain a web site at www.americanassetstrust.com. Information contained on, or accessible through our website is not incorporated by reference into and does not constitute a part of this prospectus or any other report or documents we file with or furnish to the SEC.

We have filed with the SEC a Registration Statement on Form S-11, including exhibits, schedules and amendments thereto, of which this prospectus is a part, under the Securities Act with respect to the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of our common stock to be sold in this offering, reference is made to the registration statement, including the exhibits and schedules thereto. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract or other document has been filed as an exhibit to the registration statement, each statement in this prospectus is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Washington, DC 20549. Information about the

operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you, free of charge, on the SEC's website, www.sec.gov.

AS A RESULT OF THIS OFFERING, WE WILL BECOME SUBJECT TO THE INFORMATION AND PERIODIC REPORTING REQUIREMENTS OF THE EXCHANGE ACT, AND WILL FILE PERIODIC REPORTS AND OTHER INFORMATION WITH THE SEC. THESE PERIODIC REPORTS AND OTHER INFORMATION WILL BE AVAILABLE FOR INSPECTION AND COPYING AT THE SEC'S PUBLIC REFERENCE FACILITIES AND THE WEB SITE OF THE SEC REFERRED TO ABOVE.

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American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Financial Statements
(Unaudited)

American Assets Trust, Inc. (together with its combined entities, the "Company," "we," "our" or "us"), which is a Maryland corporation formed on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest Rady and/or his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983 (the "Rady Trust"), will not have any operating activity until the consummation of our initial public offering and the related acquisition of our predecessor. American Assets Trust, L.P. (our "Operating Partnership") was formed as a Maryland limited partnership on July 16, 2010. Upon completion of the offering and formation transactions described below, we expect our operations to be carried on through our Operating Partnership. At such time, we, as the sole general partner of our Operating Partnership, will own % of, and will have control of, our Operating Partnership. Accordingly, we will consolidate the assets, liabilities and results of operations of our Operating Partnership.

Our "Predecessor" includes (1) entities owned and/or controlled by Mr. Rady and/or his affiliates, including the Rady Trust, which in turn own controlling interests in 17 properties, and the property management business of American Assets, Inc. ("AAI") (the "Controlled Entities"), and (2) noncontrolling interests in entities owning four properties ("Noncontrolled Entities"). The Predecessor accounts for its investment in the Noncontrolled Entities under the equity method of accounting.

Prior to June 30, 2010, the Noncontrolled Entities owned an office property located in San Francisco, California referred to as The Landmark at One Market ("Landmark"). We refer to the entities owning Landmark as the "Landmark Entities." The outside ownership interest in the Landmark Entities was acquired by our Predecessor on June 30, 2010 for a cash payment of $23.0 million and the assumption of $133.0 million of outstanding debt (of which $87.1 million was attributable to the outside owners' interest). As of June 30, 2010, Landmark is controlled by our Predecessor. All but one of the properties owned by the Controlled Entities and Noncontrolled Entities are managed by AAI. The Noncontrolled Entities managed by AAI include the entities which own Solana Beach Towne Centre and Solana Beach Corporate Centre properties (collectively "Solana Beach Centre") and the entities that own the Fireman's Fund Headquarters office property ("Fireman's Fund"). The remaining property is managed by an unrelated third party. We refer to ABW Lewers LLC and the Waikiki Beach Walk—Hotel, the entities that own this non-AAI managed property, as the "Waikiki Beach Walk Entities."

As of June 30, 2010, the properties owned by us are as follows:

Controlled Entities (Properties Consolidated by our Predecessor)

Retail

Carmel Country Plaza
Carmel Mountain Plaza
South Bay Marketplace
Rancho Carmel Plaza
Lomas Santa Fe Plaza
Del Monte Center
The Shops at Kalakaua
Waiklele Center
Alamo Quarry

Office

Torrey Reserve Campus
Valencia Corporate Center
160 King Street
The Landmark at One Market

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Financial Statements—(Continued)
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Multifamily
- Loma Palisades
- Imperial Beach Gardens
- Mariner's Point
- Santa Fe Park RV Resort

Noncontrolled Properties (Equity Method of Accounting by our Predecessor)

Retail
- Solana Beach Towne Centre

Office
- Solana Beach Corporate Centre
- Fireman's Fund Headquarters

Mixed-Use
- Waikiki Beach Walk Retail and Hotel

Substantially concurrently with this offering we will complete a series of formation transactions pursuant to which we will acquire, through a series of merger and contribution transactions, 100% of the ownership interests in the Controlled Entities, the Waikiki Beach Walk entities, and the Solana Beach Centre entities (which includes our Predecessors' ownership interest in these entities). We will not acquire our Predecessors' noncontrolling 25% ownership interest in the entities owning Fireman's Fund. Our Predecessor's interest in Fireman's Fund Headquarters will be either distributed to its current equity owners or transferred to a new entity owned by such owners. In the aggregate, these interests will comprise our ownership of our property portfolio.

To acquire the ownership interests in the entities that own the properties to be included in our portfolio from the prior investors, we will issue to the prior investors an aggregate of shares of our common stock and common units in our Operating Partnership, with an aggregate value of $, and we will pay $ in cash to those prior investors that are non-accredited. Cash amounts will be provided from the net proceeds of this offering. These contributions and mergers will be effected substantially concurrently with the completion of this offering.

We estimate that the net proceeds from this offering will be approximately $457.5 million, or approximately $ million if the underwriters' overallotment option is exercised in full (after deducting the underwriting discount and commissions and estimated expenses of this offering and formation transactions). We will contribute the net proceeds of this offering to our Operating Partnership in exchange for common units, and our Operating Partnership will use the proceeds received from us as described under "Use of Proceeds." Upon completion of this offering, we expect to enter into a $ million revolving credit facility under which we expect to have availability of $ million. In connection with this offering, we expect to use approximately 341.4 million to repay indebtedness (including $24.3 million of defeasance costs), pay $13.2 million to purchase the approximately 80,000 square foot building vacated by Mervyn's located in Carmel Mountain Plaza, pay up to $8.5 million to fund tenant improvements and leasing commissions at The Landmark at One Market, pay $ in cash to pay those prior investors that are unaccredited, and pay up to $2.0 million to pay costs related to the renovation of Solana Beach Towne Centre. Any remaining net proceeds will be used for general corporate purposes, including future acquisitions.

Upon completion of this offering and consummation of the formation transactions, we expect our operations to be carried on through our Operating Partnership and subsidiaries of our Operating Partnership,

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Financial Statements—(Continued)
(Unaudited)

including our taxable REIT subsidiary. Consummation of the formation transactions will enable us to (1) consolidate the ownership of our property portfolio under our operating partnership; (2) succeed to the property management business of AAI; (3) facilitate this offering; and (4) qualify as a real estate investment trust for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2010. As a result, we expect to be a vertically integrated and self-administered REIT with approximately 100 employees.

We have determined that the Predecessor is the acquirer for accounting purposes, and therefore the contribution of, or acquisition by merger of interests in, the Controlled Entities is considered a transaction between entities under common control since our Executive Chairman, Ernest Rady, and/or his affiliates, including the Rady Trust, own the controlling interest in each of the entities comprising the Predecessor. As a result, the acquisition of interests in each of the Controlled Entities will be recorded at our historical cost. The contribution of, or acquisition by merger of interests in, certain Noncontrolled Entities, including the Waikiki Beach Walk Entities and the Solana Beach Centre entities (including our Predecessor's ownership interest in these entities), will be accounted for as an acquisition under the acquisition method of accounting and recognized at the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The acquisition of the ownership interests of the Landmark Entities by the Predecessor was accounted for under the acquisition method of accounting on June 30, 2010 and will be recorded at the Predecessors' historical cost when acquired by us upon the consummation of the formation transactions. The fair value of these assets and liabilities has been allocated in accordance with Accounting Standards Codification ("ASC") section 805-10, *Business Combinations*. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. We estimate the fair value of acquired tangible assets (consisting of land, building and improvements), identified intangible lease assets and liabilities (consisting of acquired above-market leases, acquired in-place lease value, and acquired below-market leases) and assumed debt.

Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization. The value of above- and below-market in place leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income. The fair value of the debt assumed is determined using current market interest rates for comparable debt financings.

The following unaudited pro forma condensed consolidated financial information sets forth:

- the historical financial information as of and for the six months ended June 30, 2010 (unaudited) and for the year ended December 31, 2009 (audited) as derived from the financial statements of (1) the Predecessor, and (2) the Waikiki Beach Walk Entities (which consists of ABW Lewers LLC and Waikiki Beach Walk—Hotel financial statements); and

- pro forma adjustments assuming the formation transactions and the initial public offering were completed as of June 30, 2010 for purposes of the unaudited pro forma condensed consolidated balance sheet and as of January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statements of operations.

The unaudited pro forma financial information has been adjusted to give effect to:

- the historical financial results of the Predecessor (the accounting acquirer) for the six months ended June 30, 2010 and for the year ended December 31, 2009;

- the acquisition of the ownership interests (including our Predecessor's noncontrolling interest) in the Solana Beach Centre in exchange for shares of our common stock and units of limited partner

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Pro Forma Consolidated Financial Statements—(Continued)
(Unaudited)

interest ("OP units") in our Operating Partnership, and the assumption of related debt, as of June 30, 2010 for purposes of the unaudited condensed consolidated balance sheet and as of January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2010 and the year ended December 31, 2009;

- the annualization of the acquisition of the Landmark property by our Predecessor on June 30, 2010, to reflect the results of this property as if it were acquired on January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2010 and the year ended December 31, 2009;

- the acquisition of ownership interests (including our Predecessors' noncontrolling interest) in the Waikiki Beach Walk Entities in exchange for shares of our common stock and OP units and the assumption of related debt, as of June 30, 2010 for purposes of the unaudited condensed consolidated balance sheet and as of January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2010 and the year ended December 31, 2009. The Waikiki Beach Walk Entities own our mixed-use property, which is comprised of Waikiki Beach Walk—Hotel located in Honolulu, Hawaii and owned through tenants-in-common interests, and Waikiki Beach Walk—Retail (owned by ABW Lewers LLC), a retail shopping center integrated with the Waikiki Beach Walk—Hotel;

- certain incremental general and administrative expenses expected to be incurred to operate as a public company; and

- the completion of the formation transactions and the initial public offering of the Company, repayment of indebtedness and other use of proceeds from the offering, including the acquisition of an approximately 80,000 square foot vacant building at Carmel Mountain Plaza.

The pro forma financial information includes adjustments relating to the acquisition or contribution of outside ownership interests only when it is probable that we will take control of the entities that own the properties. In addition, properties in our portfolio may be reassessed for property tax purposes after the consummation of this offering. Therefore, the amount of property taxes we pay in the future may increase from what we have paid in the past. Given the uncertainty of the amounts involved, we have not included any property tax increase in our pro forma financial statements.

You should read the information below along with all other financial information and analysis presented in this prospectus, including the sections captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations"; the American Assets Trust, Inc. and subsidiaries, Predecessor, ABW Lewers LLC, Waikiki Beach Walk—Hotel historical audited financial statements and related notes; and the Landmark and Solana Beach Centre audited statements of revenue and certain expenses and related notes; included elsewhere in this prospectus.

Our pro forma consolidated financial statements are presented for informational purposes only and should be read in conjunction with the historical financial statements and related notes thereto included elsewhere in this prospectus. The unaudited pro forma adjustments and eliminations to our pro forma consolidated financial statements are based on available information and assumptions that we consider reasonable. Our pro forma consolidated financial statements do not purport to (1) represent our financial position that would have actually occurred had this offering, the formation transactions and the debt repayments occurred on June 30, 2010, (2) represent the results of our operations that would have actually occurred had this offering, the formation transactions and the debt repayments occurred on January 1, 2009 or (3) project our financial position or results of operations as of any future date or for any future period, as applicable.

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Balance Sheet
June 30, 2010
(Unaudited and In Thousands)

	American Assets Trust, Inc. and Subsidiaries (A)	Predecessor (B)	Acquisitions and Contributions: Solana Beach Centre (C)	Acquisitions and Contributions: Waikiki Beach Walk Entities (D)	Acquisitions and Contributions: Other Acquisition (E)	Distribution of Asset (F)	Eliminations (G)	Other Pro Forma Adjustments	Pro Forma Before Offering	Proceeds from Offering (H)	Use of Proceeds (I)	Other Equity Adjustments	Company Pro Forma
Assets													
Net real estate	$ —	$ 928,831	$134,210	$214,150	$ 13,200	$ —	$ —	$ —	$ 1,290,391	$ —	$ —	$ —	$ 1,290,391
Cash and cash equivalents	—	31,592	2,196	6,721	(13,200)	—	—	(23,129)**(J)**	4,180	456,000	(338,883)	—	121,297
Restricted cash	—	4,675	181	4,584	—	—	—	—	9,440	—	(2,601)	—	6,839
Accounts and notes receivable, net	—	42,231	2,075	1,417	—	—	(110)	(23,868)**(K)**	21,745	—	—	—	21,745
Investment in real estate joint ventures	—	44,577	—	—	—	(12,225)	(32,352)	—	—	—	—	—	—
Prepaid expenses and other assets	—	45,194	12,481	15,323	—	—	—	—	72,998	—	—	—	72,998
Debt issuance costs, net	—	2,449	—	—	—	—	—	—	2,449	1,500	(972)	—	2,977
Total assets	$ —	$ 1,099,549	$151,143	$242,195	$ —	$ (12,225)	$ (32,462)	$ (46,997)	$ 1,401,203	$ 457,500	$(342,456)	$ —	$ 1,516,247
Liabilities													
Secured notes payable	$ —	$ 855,368	$ 88,230	$179,242	$ —	$ —	$ —	$ —	$ 1,122,840	$ —	$(263,524)	$ —	$ 859,316
Unsecured notes payable	—	33,482	—	14,874	—	—	—	—	48,356	—	(48,356)	—	—
Notes payable to affiliates	—	6,496	—	—	—	—	—	(1,225)**(K)**	5,271	—	(5,271)	—	—
Accounts payable and accrued expenses	—	8,436	721	2,597	—	—	(110)	—	11,644	—	—	—	11,644
Security deposits payable	—	2,660	651	849	—	—	—	—	4,160	—	—	—	4,160
Other liabilities and deferred credits	—	23,984	3,415	2,905	—	—	—	—	30,304	—	—	—	30,304
Distributions in excess of earnings in real estate joint venture	—	13,909	—	—	—	—	(13,909)	—	—	—	—	—	—
Total liabilities	—	944,335	93,017	200,467	—	—	(14,019)	(1,225)	1,222,575	—	(317,151)	—	905,424
Equity													
Total Predecessor equity	—	118,929	29,063	33,382		(12,225)	(18,443)	(45,772)	104,934	457,500	(25,305)	—	537,129
Noncontrolling interests	—	36,285	29,063	8,346	—	—	—	—	73,694	—	— **(L)**	— **(M)**	73,694
Total equity	$ —	$ 155,214	$ 58,126	$ 41,728	$ —	$ (12,225)	$ (18,443)	$ (45,772)	$ 178,628	$ 457,500	$ (25,305)	$ —	$ 610,823
Total Liabilities and Equity	$ —	$ 1,099,549	$151,143	$242,195	$ —	$ (12,225)	$ (32,462)	$ (46,997)	$ 1,401,203	$ 457,500	$(342,456)	$ —	$ 1,516,247

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Statement of Operations
For the Six Months Ended June 30, 2010
(Unaudited and In Thousands, except per share data)

			Acquisitions and Contributions								
	American Assets Trust, Inc. and Subsidiaries (AA)	Predecessor (BB)	Solana Beach Centre (CC)	Landmark at One Market (DD)	Waikiki Beach Walk Entities (EE)	Other Acquisition (FF)	Distribution of Asset (GG)	Eliminations (HH)	Pro Forma Before Offering	Financing Transactions (II)	Company Pro Forma
Revenue											
Rental income	$ —	$ 56,509	$ 7,144	$ 11,902	$ 18,573	(85)	$ —	$ —	$ 94,043	$ —	$ 94,043
Other property income	—	1,710	1	—	1,363	—	—	—	3,074	—	3,074
Total Revenues	—	58,219	7,145	11,902	19,936	(85)	—	—	97,117	—	97,117
Expenses											
Rental expenses	—	9,864	757	2,768	10,739		—	(60)	24,068	—	24,068
Real estate taxes	—	5,948	427	1,204	892		—	—	8,471	—	8,471
General and administrative	—	3,408	425	375	922		—	(665)	4,465	— **(JJ)**	4,465
Depreciation and amortization	—	14,739	3,582	3,586	3,408	150	—	—	25,465	—	25,465
Total operating expenses	—	33,959	5,191	7,933	15,961	150	—	(725)	62,469	—	62,469
Operating income	—	24,260	1,954	3,969	3,975	(235)	—	725	34,648	—	34,648
Interest income and other, net	—	31	4	1	(157)	—	—	—	(121)	—	(121)
Interest expense	—	(21,278)	(2,795)	(3,753)	(6,142)	—	—	—	(33,968)	7,216	(26,752)
Fee income from real estate joint ventures	—	1,943	—	—	—	—	(126)	(1,817)	—	—	—
Income (loss) from real estate joint ventures	—	1,407	—	—	—	—	(113)	(1,294)	—	—	—
Net income (loss)	$ —	$ 6,363	$ (837)	$ 217	$ (2,324)	$ (235)	$ (239)	$ (2,386)	$ 559	$ 7,216	7,775
Net income attributable to noncontrolling interests											$ ( )**(KK)**
Net income attributable to controlling interests											$

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2009
(Unaudited and In Thousands, except per share data)

			Acquisitions and Contributions								
	American Assets Trust, Inc. and Subsidiaries (AA)	Predecessor (BB)	Solana Beach Centre (CC)	Landmark at One Market (DD)	Waikiki Beach Walk Entities (EE)	Other Acquisition (FF)	Distribution of Asset (GG)	Eliminations (HH)	Pro Forma Before Offering	Financing Transactions (II)	Company Pro Forma
Revenue											
Rental income	$ —	$ 113,080	$ 13,902	$ 23,432	$ 38,868	$ (132)	$ —	$ —	$ 189,150	$ —	$ 189,150
Other property income	—	3,963	24	1	2,780	—	—	—	6,768	—	6,768
Total Revenues	—	117,043	13,926	23,433	41,648	(132)	—	—	195,918	—	195,918
Expenses											
Rental expenses	—	$ 20,336	$ 1,591	$ 5,416	$ 22,054	—	$ —	(120)	49,277	—	$ 49,277
Real estate taxes	—	8,306	843	2,382	1,767	—	—	—	13,298	—	13,298
General and administrative	—	7,058	794	736	1,813	—	—	(1,351)	9,050	— **(JJ)**	9,050
Depreciation and amortization	—	29,858	7,164	7,172	6,815	300	—	—	51,309	—	51,309
Total operating expenses	—	65,558	10,392	15,706	32,449	300	—	(1,471)	122,934	—	122,934
Operating income	—	51,485	3,534	7,727	9,199	(432)	—	1,471	72,984	—	72,984
Interest income and other, net	—	173	23	6	(315)	—	—	—	(113)	—	(113)
Interest expense	—	(43,290)	(5,615)	(7,569)	(12,187)	—	—	—	(68,661)	14,836	(53,825)
Fee income from real estate joint ventures	—	1,736	—	—	—	—	(254)	(1,482)	—	—	—
Income (loss) from real estate joint ventures	—	(4,865)	—	—	—	—	(173)	5,038	—	—	—
Net income (loss)	$ —	$ 5,239	$ (2,058)	$ 164	$ (3,303)	$ (432)	$ (427)	$ 5,027	$ 4,210	$ 14,836	19,046
Net income attributable to noncontrolling interests											$ ( )**(KK)**
Net income attributable to controlling interests											$

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements
June 30, 2010 (Unaudited)

1. Adjustments to the Pro Forma Consolidated Balance Sheet

(A) Represents the balance sheet of American Assets Trust, Inc. and subsidiaries as of July 16, 2010. We have had no corporate activity since our formation on July 16, 2010, other than the issuance of shares of common stock in connection with the initial capitalization of the Company, which was paid on August 12, 2010. Our operations will be carried out through our Operating Partnership upon completion of this offering. At such time, we, as the sole general partner of our Operating Partnership, will own, directly or indirectly, % of our Operating Partnership and will have control over major decisions, including decisions related to the sale or refinancing of owned properties. Accordingly, we will consolidate the assets, liabilities and results of operations of our Operating Partnership.

(B) Reflects a historical condensed combined balance sheet of our Predecessor, which we have determined to be the accounting acquirer and under the control of Ernest Rady and/or his affiliates, including the Rady Trust, as of June 30, 2010. Pursuant to contribution agreements and/or merger agreements entered into among the owners of, and the entities comprising, the Predecessor and the Company, the Operating Partnership and/or their subsidiaries, we will, directly or indirectly, acquire interests in the Predecessors' Controlled Entities, the Waikiki Beach Walk Entities and Solana Beach Centre in exchange for cash, shares of our common stock and/or OP units, and the assumption of related debt. These contributions and mergers will be consummated substantially concurrently with the completion of this offering. Because the accounting acquirer and the Predecessor are under common control, the Predecessor's assets and liabilities will be recorded at their historical cost basis.

(C) Reflects the acquisition by us of the ownership interests (including our Predecessor's noncontrolling interest) in Solana Beach Centre in exchange for cash, shares of our common stock and/or OP units and the assumption of related debt. Our Predecessor is responsible for the day to day management of Solana Beach Centre. Ernest Rady and/or his affiliates, including the Rady Trust, has a noncontrolling ownership interest in the entities that own Solana Beach Centre and therefore such ownership interests have been included in the Predecessor's financial statements as an equity method investment. After acquisition of the ownership interests in Solana Beach Centre (including our Predecessor's noncontrolling interest), the Solana Beach Centre will be 100% owned and consolidated by us. The acquisition of the interests in Solana Beach Centre will be accounted for as an acquisition under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations*.

The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. The amounts allocated to net real estate, which includes buildings, are depreciated over the estimated weighted average remaining useful lives ranging from 30 to 40 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average lives of the remaining lease terms. As a result of acquisition method accounting, the carrying value of debt for the Solana Beach Centre was adjusted to its fair value, resulting in a $1.1 million discount.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

The allocation of purchase price shown below is based on our preliminary estimates and is subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical basis of the balance sheet of Solana Beach Centre are as follows:

	As of June 30, 2010		
	Solana Beach Centre Historical	Acquisition Method Accounting Adjustments	Solana Beach Centre Pro Forma
		(in thousands; unaudited)	
Assets			
Net real estate	$ 55,458	$ 78,752[1]	$ 134,210
Cash and cash equivalents	2,196	—	2,196
Restricted cash	181	—	181
Accounts and notes receivable, net	3,685	(1,610)[2]	2,075
Prepaid expenses and other assets	878	11,603[3]	12,481
Debt issuance costs, net	887	(887)[4]	—
Total assets	$ 63,285	$ 87,858	151,143
Liabilities and Equity			
Liabilities			
Mortgages payable	$ 89,330	$ (1,100)[5]	$ 88,230
Accounts payable and accrued expenses	721	—	721
Security deposits payable	651	—	651
Other liabilities and deferred credits	400	3,015[6]	3,415
Total liabilities	$ 91,102	$ 1,915	93,017
Consideration paid for Solana Beach Centre			58,126[7]
Less: Predecessor's existing ownership interest at fair value			(29,063)[7]
Value of Shares of Common Stock, OP Units and cash exchanged for outside ownership interests			$ 29,063[7]

(1) Includes allocation of purchase price to tangible assets including land, buildings and improvements.

(2) Adjusts for removal of historical straight line rents and adding pro forma straight line rents.

(3) Includes allocation of purchase price to intangible assets including acquired in place leases and above market leases.

(4) Adjusts the historical debt issuance costs to estimated fair value.

(5) Adjusts the mortgage payable to estimated fair value.

(6) Includes allocation of purchase price to intangible liabilities including below market leases.

(7) Amounts are prior to working capital adjustment for Solana Beach Centre as discussed in Note (I).

(D) Reflects the acquisition by us of the ownership interest (including our Predecessor's noncontrolling interest) in the Waikiki Beach Walk Entities in exchange for cash, shares of our common stock, and/or OP units, and the assumption of related debt. Our Predecessor has an 80% noncontrolling interest in the Waikiki Beach Walk Entities through its ownership in ABW Lewers LLC, the entity that owns the Waikiki Beach Walk—Retail

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

property in Honolulu, Hawaii; and a tenant-in-common interest in the Waikiki Beach Walk—Hotel in Honolulu, Hawaii. The retail property and hotel are integrated with each other, and management views them as one mixed-use property. The outside owner in the Waikiki Beach Walk Entities is the managing member of the entities and is responsible for the day to day management of the property. After acquisition of the ownership interest in the Waikiki Beach Walk Entities the mixed-use property owned by the Waikiki Beach Walk Entities will be 100% owned and consolidated by us. The acquisition of the interests in the Waikiki Beach Walk Entities will be accounted for as an acquisition under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations*.

The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. The amounts allocated to net real estate, which includes buildings, are depreciated over the estimated average remaining useful life of 35 to 40 years. The amounts allocated to above- and below- market leases and to intangible lease assets are amortized over the weighted average lives of the remaining lease terms. As a result of acquisition method accounting, the carrying value of debt for the Waikiki Beach Walk Entities was adjusted to its fair value, resulting in a $19.5 million discount.

The allocation of purchase price shown below is based on our preliminary estimates and is subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical basis of the combined balance sheet of the Waikiki Beach Walk Entities (derived from a combination of the ABW Lewers LLC and Waikiki Beach Walk Hotel financial statements) are as follows:

	As of June 30, 2010		
	Waikiki Beach Walk Entities - Historical	Acquisition Method Accounting Adjustments	Waikiki Beach Walk Entities-Pro Forma
		(in thousands; unaudited)	
Assets			
Net real estate	$ 177,231	$ 36,919[1]	$ 214,150
Cash and cash equivalents	6,721	—	6,721
Restricted cash	4,584	—	4,584
Accounts and notes receivable, net	3,475	(2,058)[2]	1,417
Prepaid expenses and other assets	9,037	6,286[3]	15,323
Debt issuance costs, net	4,019	(4,019)[4]	—
Total assets	$ 205,067	$ 37,128	242,195
Liabilities and Equity			
Liabilities			
Mortgages payable	198,742	(19,500)[5]	179,242
Unsecured note payable	14,874	—	14,874
Accounts payable and accrued expenses	2,597	—	2,597
Security deposits payable	849	—	849
Other liabilities and deferred credits	652	2,253[6]	2,905
Total liabilities	$ 217,714	$ (17,247)	200,467
Consideration paid for Waikiki Beach Walk Entities			41,728[7]
Less: Predecessor's existing ownership interest at fair value			(33,382)[7]
Value of Shares of Common Stock, OP Units and cash exchanged for outside ownership interests			$ 8,346[7]

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

(1) Includes allocation of purchase price to tangible assets including land, buildings and improvements.

(2) Adjusts for removal of historical straight line rents and adding pro forma straight line rents.

(3) Includes allocation of purchase price to intangible assets including acquired in place leases and above market leases.

(4) Adjusts the historical debt issuance costs to estimated fair value.

(5) Adjusts the mortgage payable to estimated fair value.

(6) Includes allocation of purchase price to intangible liabilities including below market leases.

(7) Amounts are prior to working capital adjustment for the Waikiki Beach Walk Entities as discussed in Note (I).

(E) Reflects the acquisition of an approximately 80,000 square foot vacant building at Carmel Mountain Plaza for $13.2 million. The acquisition price is 100% allocated to net real estate, which includes buildings, and is depreciated over the estimated average remaining useful life of 35 years.

(F) Prior to the completion of this offering and the formation transactions, our Predecessor's 25% investment in Fireman's Fund Headquarters will be either distributed to its current equity owners, including Mr. Rady, or transferred to a new entity owned by such owners. Our Predecessor's 25% investment in Fireman's Fund Headquarters had a carrying amount of $12.3 million at June 30, 2010.

(G) Reflects the elimination of equity method investments of $32.4 million and distributions in excess of earnings in real estate joint ventures of $13.9 million related to the Predecessor's investment in the Solana Beach Centre and Waikiki Beach Walk Entities, which are eliminated in consolidation for pro forma purposes. In addition, accounts receivable and accounts payable of $0.11 million are eliminated in consolidation.

(H) Reflects gross proceeds in this offering of $500.0 million, which will be reduced by $42.5 million to reflect underwriters' discounts and commissions, financial advisory fees and other costs, resulting in net proceeds of $457.5 million. These costs will be charged against the gross offering proceeds upon completion of this offering. In connection with this offering we expect to enter into an agreement for a $ million secured revolving credit facility. In connection with this credit facility, we expect to incur $1.5 in financing fees, which will be amortized over the life of the respective credit facility as an adjustment to interest expense. A summary is as follows (in thousands):

Gross proceeds	$500,000
Transaction costs	(42,500)
Financing fees	(1,500)
	$456,000

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

(I) In connection with this offering, we anticipate repaying $263.5 million of secured mortgage debt, and $53.6 million of unsecured debt (of which $5.3 million is payable to prior investors). As part of the repayment of debt, we expect to pay $24.3 million in pre-payment fees (defeasance, yield maintenance, and other stated penalties) and loan assumption fees which have been reflected as a one-time charge in this pro forma adjustment. Concurrently with the repayment of the secured mortgage debt, restricted cash held in escrow for insurance and taxes will be released to us as unrestricted cash in the amount of $2.6 million. We will also write-off $1.0 million of historical deferred financing fees associated with these repaid loans which has been reflected as a one-time charge in this pro-forma adjustment. A summary is as follows (in thousands):

Debt paydowns	$(317,151)
Defeasance costs	(24,333)
Release of restricted cash	2,601
Cash paid to non-accredited investors	(L)
	$(338,883)

(J) Pursuant to the formation transaction documents, any positive net working capital balance as of a date chosen by us within 45 days prior to the date of our preliminary prospectus will be distributed or paid to existing owners in connection with the closing of the offering, except for $10 million of working capital at the Waikiki Beach Walk Entities, which will be retained by those entities. Therefore $23.1 million of cash will be distributed or paid to prior investors in connection with closing. A summary is as follows (in thousands):

Pro forma working capital at June 30, 2010	$ 33,129
Target working capital for Waikiki Beach Walk Entities	$(10,000)
Cash to be distributed to prior investors in connection with closing	$ 23,129

(K) Represents the conversion of notes receivable from affiliates of $23.9 million and notes payable to affiliates related to certain investors in the Del Monte Center of $1.6 million, which are settled in the formation transactions in exchange for a reduction or increase, as the case may be, in common stock or OP units issued to these affiliates. In addition, we assumed a note payable to noncontrolling investors related to Valencia Corporate Center of $0.3 million as part of the formation transactions and repaid it with the proceeds from the offering. Therefore, these amounts are adjusted to be shown as an offset to equity.

(L) As part of the formation transactions non-accredited investors, who are not eligible to elect to receive either shares of common stock or OP units, will receive in consideration for their interests in our Predecessor's equity cash in an amount calculated to equal the value of the shares or OP units that would be issued to them under the applicable merger or contribution agreement if they were accredited investors. The Predecessor's noncontrolling interests on the pro forma balance sheet will be reduced by the historical cost basis of these acquired noncontrolling interests with the excess purchase price resulting in a reduction to our equity.

(M) Represents the allocation of our Predecessor's equity between controlling and noncontrolling interests. Investors in our Predecessor, Solana Beach Centre and the Waikiki Beach Walk Entities will receive cash, shares of our common stock, and/or OP units based on their elections prior to the filing of our registration statement with the Securities and Exchange Commission. Investors in this offering will receive shares of our common stock.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

2. Adjustments to the Pro Forma Consolidated Statement of Operations

The adjustments to the pro forma statements of operations for the six-month period ended June 30, 2010 and for the year ended December 31, 2009 are as follows:

(AA) Represents the historical consolidated statements of operations of American Assets Trust, Inc. and its subsidiaries for the six months ended June 30, 2010 and the year ended December 31, 2009. We have had no corporate activity since our formation on July 16, 2010, other than the issuance of 1,000 shares of common stock in connection with the initial capitalization of the company which was paid on August 12, 2010.

(BB) Reflects the Predecessor's historical combined statements of operations for the six months ended June 30, 2010 and for the year ended December 31, 2009. As discussed in note (B), our Predecessor's interests in the Controlled Entities will be acquired by our Operating Partnership in exchange for cash, shares of common stock and/or OP units, and the assumption of related debt, and will be recorded at the Predecessor's historical cost basis. As a result, expenses such as depreciation and amortization to be recognized by our Operating Partnership related to the acquired interests are based on the Predecessor's historical cost basis of the related assets and liabilities.

(CC) Reflects the results of operations from the acquisition of the Solana Beach Centre that will occur in connection with the formation transactions as discussed in note (C) above. The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. Adjustments to revenues represent the impact of the amortization of the net amount of above- and below-market rents and the net impact of straight-line rents. Adjustments to depreciation and amortization represent the additional depreciation expense and amortization of intangibles as a result of these purchase accounting adjustments.

As a result of acquisition method accounting, the carrying value of debt for the Solana Beach Centre was adjusted to its fair value, resulting in a $1.1 million discount. The discount is amortized to interest expense over the life of the underlying debt instrument. The amounts allocated to net real estate, which include buildings, are depreciated over the estimated weighted average remaining useful lives ranging from 30 to 40 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average lives of the related leases ranging from 2.5 to 4 years.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

The pro forma adjustments shown below are based on our preliminary estimates and are subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical statement of operations of the Solana Beach Centre are as follows:

	For the Six Months Ended June 30, 2010			For the Year Ended December 31, 2009		
	Solana Beach Centre Historical	Pro Forma Adjustments	Solana Beach Centre Pro Forma	Solana Beach Centre Historical	Pro Forma Adjustments	Solana Beach Centre Pro Forma
	(in thousands; unaudited)					
Revenue						
Rental income[1]	$ 6,552	$ 592	$ 7,144	$ 12,953	$ 949	$ 13,902
Other property income	1	—	1	24	—	24
Total revenue	6,553	592	7,145	12,977	949	13,926
Expenses						
Rental expenses	757	—	757	1,591	—	1,591
Real estate taxes	427	—	427	843	—	843
General and administrative	425	—	425	794	—	794
Depreciation and amortization	1,806	1,776	3,582	3,700	3,464	7,164
Total operating expenses	3,415	1,776	5,191	6,928	3,464	10,392
Operating income	3,138	(1,184)	1,954	6,049	(2,515)	3,534
Interest income and other, net	4	—	4	23	—	23
Interest expense[2]	(2,716)	(79)	(2,795)	(5,458)	(157)	(5,615)
Net income (loss)	$ 426	$ (1,263)	$ (837)	$ 614	$ (2,672)	$ (2,058)

(1) Pro forma rental income includes $23 and $46 of (above) below market lease amortization for the six months ended June 30, 2010 and for the year ended December 31, 2009, respectively. The pro forma straight line rent adjustment was $513 and $756 for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

(2) Pro forma interest expense includes $79 and $157 of amortization related to the fair value adjustment related to the assumed debt for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

(DD) Reflects the annualization of the acquisition of the ownership interests in the Landmark Entities on June 30, 2010 to reflect the results of operations of this property as if it were acquired on January 1, 2009. The acquisition of the Landmark Entites by the Predecessor was accounted for under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations.* Adjustments to revenues represent the impact of the amortization of the net amount of above- and below-market rents and the net impact of straight-line rents. Adjustments to depreciation and amortization represent the additional depreciation expense and amortization of intangibles as a result of these purchase accounting adjustments.

The amounts allocated to net real estate, which includes buildings, are depreciated over the estimated remaining useful life of 40 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average life of the remaining terms of the related leases of 3 years.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

The pro forma adjustments shown below are based on our preliminary estimates and are subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical statement of operations of the Landmark Entities are as follows:

	For the Six Months Ended June 30, 2010			For the Year Ended December 31, 2009		
	Landmark-Historical	Pro Forma Adjustments	Landmark-Pro Forma	Landmark-Historical	Pro Forma Adjustments	Landmark-Pro Forma
	(in thousands; unaudited)					
Revenue						
Rental income[1]	$ 10,937	$ 965	$ 11,902	$ 21,775	$ 1,657	$ 23,432
Other property income	—	—	—	1	—	1
Total revenue	10,937	965	11,902	21,776	1,657	23,433
Expenses						
Rental expenses	2,768	—	2,768	5,416	—	5,416
Real estate taxes	1,204	—	1,204	2,382	—	2,382
General and administrative	375	—	375	736	—	736
Depreciation and amortization	3,412	174	3,586	6,830	342	7,172
Total operating expenses	7,759	174	7,933	15,364	342	15,706
Operating income	3,178	791	3,969	6,412	1,315	7,727
Interest income and other, net	1	—	1	6	—	6
Interest expense	(3,753)	—	(3,753)	(7,569)	—	(7,569)
Net income (loss)	$ (574)	$ 791	$ 217	$ (1,151)	$ 1,315	$ 164

(1) Pro forma rental income includes $417 and $834 of (above) below market lease amortization for the six months ended June 30, 2010 and for the year ended December 31, 2009, respectively. The pro forma straight-line rent adjustment was $(141) and $(124) for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

(EE) Reflects adjustments relating to the proposed acquisition of the ownership interests in the Waikiki Beach Walk Entities, as discussed in note (D). The acquisition of the Waikiki Beach Walk Entities will be accounted for under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations.* Adjustments to revenues represent the impact of the amortization of the net amount of above- and below-market rents and the net impact of straight-line rents. Adjustments to depreciation and amortization represent the additional depreciation expense and amortization of intangibles as a result of these purchase accounting adjustments.

As a result of acquisition method accounting, the carrying value of debt for the Waikiki Beach Walk Entities was adjusted to its fair value, resulting in a $19.5 million discount. The discount is amortized to interest expense over the life of the underlying debt instrument. The amounts allocated to buildings are depreciated over the estimated remaining useful life of 35 to 40 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average life of the remaining terms of the related leases of 7 years.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

	For the Six Months Ended June 30, 2010			For the Year Ended December 31, 2009		
	Waikiki Beach Walk Entities - Historical	Pro Forma Adjustments	Waikiki Beach Walk Entities - Pro Forma	Waikiki Beach Walk Entities - Historical	Pro Forma Adjustments	Waikiki Beach Walk Entities - Pro Forma
	(in thousands; unaudited)					
Revenue						
Rental income[1]	$ 18,590	$ (17)	$ 18,573	$ 38,934	$ (66)	$ 38,868
Other property income	1,363	—	1,363	2,780	—	2,780
Total revenue	19,953	(17)	19,936	41,714	(66)	41,648
Expenses						
Rental expenses	10,739	—	10,739	22,054	—	22,054
Real estate taxes	892	—	892	1,767	—	1,767
General and administrative	922	—	922	1,813	—	1,813
Depreciation and amortization	6,267	(2,859)	3,408	12,548	(5,733)	6,815
Total operating expenses	18,820	(2,859)	15,961	38,182	(5,733)	32,449
Operating income	1,133	2,842	3,975	3,532	5,667	9,199
Interest income and other, net	(157)	—	(157)	(315)	—	(315)
Interest expense[2]	(4,749)	(1,393)	(6,142)	(9,401)	(2,786)	(12,187)
Net income (loss)	$ (3,773)	$ 1,449	$ (2,324)	$ (6,184)	$ 2,881	$ (3,303)

(1) Pro forma rental income include $(311) and $(624) of (above) below market lease amortization for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively. The pro forma straight line rent adjustment was $352 and $809 for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

(2) Pro forma interest expense includes $1,393 and $2,786 of amortization related to the fair value adjustment related to the assumed debt for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

(FF) Reflects the acquisition of an approximately 80,000 square foot vacant building at Carmel Mountain Plaza for $13.2 million, as discussed in Note (E) above. The building is depreciated over its estimated useful life of 35 years. The tenant who formerly occupied the building has been paying its share of expense reimbursements to us of approximately $0.1 million for the six months ended June 30, 2010 and for the year ended December 31, 2009.

(GG) Reflects the distribution of our Predecessor's 25% ownership interest in Fireman's Fund Headquarters as discussed in Note (F). Our Predecessor's equity in earnings from its investment in Fireman's Fund Headquarters was $0.1 million and $0.2 million for the six months ended June 30, 2010 and for the year ended December 31, 2009, respectively. In addition, fee income earned from Fireman's Fund Headquarters was $0.1 million and $0.3 million for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively.

(HH) Due to the acquisition of Solana Beach Centre, Landmark and Waikiki Beach Walk Entities, $1.3 million and ($5.0) million of equity in net income (loss) from equity method investments is eliminated in the

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
June 30, 2010 (Unaudited)

pro forma condensed consolidated statement of operations for the six months ended June 30, 2010 and the year ended December 31, 2009, respectively. Fee income earned by the Predecessor of $1.8 million and $1.5 million from Solana Beach Centre and Landmark is eliminated in consolidation for pro forma purposes for the six months ended June 30, 2010 and for the year ended December 31, 2009, respectively. In addition, fees paid to the Predecessor by Solana Beach Centre and Landmark of ($0.7) million and ($1.5) million for the six months ended June 30, 2010 and for the year ended December 31, 2009 are eliminated in consolidation.

(II) Reflects the decrease in net interest expense as a result of the refinancing transactions described more fully in Notes (G) and (H) above. On a pro forma basis we expect interest expense to decrease $7.5 million and $15.3 million for the six months ended June 30, 2010 and for the year ended December 31, 2009, respectively. This decrease is the result of the related paydown of secured and unsecured debt for the six months ended June 30, 2010 and for the year ended December 31, 2009. The pro forma adjustment also includes amortization of capitalized fees in connection with our revolving credit facility of $0.3 million and $0.5 million, respectively, and estimated unused fees of $ and $, respectively, related to the proposed million revolving credit facility for the six months ended June 30, 2010 and for the year ended December 31, 2009.

(JJ) We expect to incur additional general and administrative expense as a result of becoming a public company, including but not limited to incremental salaries and equity incentives, board of directors fees and expenses, director's and officer's insurance, Sarbanes-Oxley Act of 2002 compliance costs, and incremental audit and tax fees. We estimate the incremental expenses of being a public company will range from $ million to $ million per year in excess of our historical general and administrative expenses. As we have not yet entered into employment agreements or contracts with third parties to provide these services, we have not included these expenses in the accompanying pro forma consolidated statement of operations.

We have included $ and $, respectively of stock-based compensation expense for the six months ended June 30, 2010 and the year ended December 31, 2009 based on equity awards to be granted to certain employees and directors upon completion of this offering.

(KK) Reflects the allocation of net income (loss) to the noncontrolling interests and stockholders' equity.

(LL) Pro forma earnings (loss) per share—basic and diluted are calculated by dividing pro forma consolidated net income (loss) allocable to the Company's stockholders by the number of shares of common stock issued in this offering and the formation transactions.

Basic net income (loss) per common share is calculated based on the weighted average common shares outstanding, which was shares for each of the periods reported. Diluted net income (loss) per common share is calculated based on net income (loss) before allocation to noncontrolling interests by giving effect to the expected exchange of OP units for common stock on a one-for-one basis, which resulted in diluted shares of for each of the periods reported.

Set forth below is a reconciliation of pro forma weighted average shares outstanding:

Number of shares issued in this offering	
Number of shares issued in the formation transactions	

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder
American Assets Trust, Inc.

We have audited the accompanying balance sheet of American Assets Trust, Inc. (the "Company") as of August 12, 2010. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the August 12, 2010 balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of American Assets Trust, Inc. as of August 12, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

American Assets Trust, Inc.

Balance Sheet
As of August 12, 2010

Assets	
Cash and cash equivalents	$1,000
	$1,000
Stockholders' Equity	
Common stock ($0.01 par value, 1,000,000 shares authorized, 1,000 issued and outstanding)	$ 10
Additional paid-in capital	990
	$1,000

See accompanying notes.

American Assets Trust, Inc.

Notes to Balance Sheet
August 12, 2010
(In thousands)

NOTE 1. ORGANIZATION

American Assets Trust, Inc. (the "Company," "we," "our" or "us") was formed as a Maryland corporation on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest Rady and his affiliates, including the Ernest Rady Trust U/D/T March 13, 1983 (the "Rady Trust"). The Company has filed a Registration Statement on Form S-11 with the Securities and Exchange Commission with respect to a proposed public offering (the "Offering") of common stock. The Company is the sole general partner of American Assets Trust, L.P., our "Operating Partnership," which was formed as a Maryland limited partnership on July 16, 2010. The Company had no operations other than the issuance of 1,000 shares of common stock to the Rady Trust in connection with our initial capitalization. As of July 16, 2010, the shares of common stock of the Company were issued to the Rady Trust in consideration for one-thousand dollars cash, which was paid on August 12, 2010. Our operations are planned to commence upon completion of the Offering and the Formation Transactions (as defined below). Upon completion of the Offering and the Formation Transactions, we expect our operations to be carried on through our Operating Partnership and its wholly owned subsidiary, American Assets Trust, LLC. At such time, we, as the general partner of our Operating Partnership, will control our Operating Partnership. We will consolidate the assets, liabilities, and results of operations of the Operating Partnership.

We have entered into a series of formation transactions (the "Formation Transactions"), pursuant to which we will acquire, substantially currently with the completion of the Offering through a series of merger and contribution transactions, the ownership interests in the entities owning the properties that will comprise our portfolio. Consummation of the Formation Transactions will enable us to (i) consolidate the ownership of our property portfolio under our Operating Partnership; (ii) succeed to the property management business of American Assets Inc., an entity controlled by Ernest Rady; (iii) facilitate the Offering; and (iv) qualify as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2010.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP"). Subsequent events have been evaluated through the date the financial statements were issued.

Income Taxes

Subject to qualification as a REIT, the Company will be permitted to deduct distributions paid to its stockholders, eliminating the federal taxation of income represented by such distributions at the Company level.

REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts in the balance sheet and accompanying notes. Actual results could differ from those estimates.

Underwriting Commissions and Costs

Underwriting commissions and costs to be incurred in connection with the Offering will be reflected as a reduction of additional paid-in capital.

NOTE 3. OFFERING COSTS

In connection with the Offering, American Assets, Inc. has advanced funds for legal, accounting, and related costs in connection with the Offering and Formation Transactions, which will be reimbursed by the Company upon the consummation of the Offering. Such costs will be deducted from the gross proceeds of the Offering.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Owners
American Assets Trust, Inc. Predecessor

We have audited the accompanying combined balance sheets of American Assets Trust, Inc. Predecessor as of December 31, 2009 and 2008, and the related combined statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule of real estate and accumulated depreciation. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of American Assets Trust, Inc. Predecessor at December 31, 2009 and 2008, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule referred to above, when considered in relation to the basic combined financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

American Assets Trust, Inc. Predecessor

Combined Balance Sheets
(In Thousands)

	As of June 30, 2010 (unaudited)	As of December 31, 2009	2008
Assets			
Real estate, at cost			
Operating real estate	$1,126,080	$ 959,724	$ 953,116
Construction in progress	1,540	762	1,347
Held for development	7,937	7,846	7,639
	1,135,557	968,332	962,102
Accumulated depreciation	(206,726)	(194,124)	(168,865)
Net real estate	928,831	774,208	793,237
Cash and cash equivalents	31,592	24,189	18,978
Restricted cash	4,675	4,644	4,527
Accounts receivable, net	20,462	20,767	19,843
Notes receivable from affiliate	21,769	20,969	22,099
Investment in real estate joint ventures	44,577	57,810	69,967
Prepaid expenses and other assets	45,194	34,003	39,993
Debt issuance costs, net of accumulated amortization	2,449	2,401	2,474
Total assets	$1,099,549	$ 938,991	$ 971,118
Liabilities and equity			
Liabilities:			
Secured notes payable	$ 855,368	$ 723,920	$ 724,206
Unsecured notes payable	33,482	12,864	21,143
Notes payable to affiliates	6,496	7,667	9,840
Accounts payable and accrued expenses	8,436	7,193	8,998
Security deposits payable	2,660	2,362	2,402
Other liabilities and deferred credits	23,984	11,573	13,049
Distributions in excess of earnings on real estate joint ventures	13,909	2,449	2,306
Total liabilities	944,335	768,028	781,944
Commitments and contingencies			
Equity:			
Controlling interests	118,929	133,173	148,864
Noncontrolling interests	36,285	37,790	40,310
Total equity	155,214	170,963	189,174
Total liabilities and equity	$1,099,549	$ 938,991	$ 971,118

See accompanying notes.

American Assets Trust, Inc. Predecessor

Combined Statements of Operations
(In Thousands)

	For the six months ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
Revenue:					
Rental income	$ 56,509	$ 55,252	$113,080	$117,104	$113,324
Other property income	1,710	1,691	3,963	3,839	4,184
Total revenue	58,219	56,943	117,043	120,943	117,508
Expenses:					
Rental expenses	9,864	9,854	20,336	22,029	21,674
Real estate taxes	5,948	2,463	8,306	10,890	10,878
General and administrative	3,408	3,756	7,058	8,690	10,471
Depreciation and amortization	14,739	14,902	29,858	31,089	31,376
Total operating expenses	33,959	30,975	65,558	72,698	74,399
Operating income	24,260	25,968	51,485	48,245	43,109
Interest income	31	109	173	1,167	2,462
Interest expense	(21,278)	(21,489)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	1,943	871	1,736	1,538	2,721
Income (loss) from real estate joint ventures	1,407	(2,503)	(4,865)	(19,272)	(7,191)
Income from continuing operations	6,363	2,956	5,239	(12,059)	(1,801)
Discontinued operations:					
Loss from discontinued operations	—	—	—	(2,071)	(2,874)
Gain on sale of real estate property	—	—	—	2,625	—
Results from discontinued operations	—	—	—	554	(2,874)
Net income (loss)	6,363	2,956	5,239	(11,505)	(4,675)
Net loss attributable to noncontrolling interests	(899)	(656)	(1,205)	(4,488)	(2,140)
Net income (loss) attributable to American Assets Trust Inc. Predecessor	$ 7,262	$ 3,612	$ 6,444	$ (7,017)	$ (2,535)

See accompanying notes.

American Assets Trust, Inc. Predecessor

Combined Statements of Equity
For the six months ended June 30, 2010 (unaudited) and
the years ended December 31, 2009, 2008 and 2007
(In Thousands)

	Controlling Interests	Noncontrolling Interests	Total
Combined equity, December 31, 2006	$ 223,193	$ 59,165	$282,358
Contributions	28,180	6,561	34,741
Distributions	(33,527)	(2,705)	(36,232)
Net loss	(2,535)	(2,140)	(4,675)
Combined equity, December 31, 2007	215,311	60,881	276,192
Contributions	4,863	570	5,433
Distributions	(64,293)	(16,653)	(80,946)
Net loss	(7,017)	(4,488)	(11,505)
Combined equity, December 31, 2008	148,864	40,310	189,174
Contributions	1,168	28	1,196
Distributions	(23,303)	(1,343)	(24,646)
Net income (loss)	6,444	(1,205)	5,239
Combined equity, December 31, 2009	133,173	37,790	170,963
Contributions	—	—	—
Distributions	(21,506)	(606)	(22,112)
Net income (loss)	7,262	(899)	6,363
Combined equity, June 30, 2010 (unaudited)	$ 118,929	$ 36,285	$155,214

See accompanying notes.

American Assets Trust, Inc. Predecessor

Combined Statements of Cash Flows
(In Thousands)

	For the six months ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
OPERATING ACTIVITIES					
Net income (loss)	$ 6,363	$ 2,956	$ 5,239	$(11,505)	$ (4,675)
Net income (loss) from discontinued operations	—	—	—	554	(2,874)
Net income (loss) from continuing operations	6,363	2,956	5,239	(12,059)	(1,801)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:					
Depreciation and amortization	14,739	14,902	29,858	31,089	31,376
Amortization of debt issuance costs	317	327	632	496	488
Net accretion of above and below market lease intangibles	876	701	1,407	170	(294)
Amortization of lease incentives	185	185	370	370	370
(Income) loss from real estate joint ventures	(1,407)	2,503	4,865	19,272	7,191
Distribution of earnings from real estate joint ventures	3,354	3,750	7,361	9,855	4,812
Deferred rent	(700)	(743)	(1,313)	(2,489)	(2,649)
Bad debt expense	254	232	273	488	459
Abandoned project costs	—	—	273	—	—
Changes in operating assets and liabilities	—	—	—	—	—
Increase in restricted cash	(47)	(12)	(50)	(549)	(103)
(Increase) decrease in accounts receivable	(656)	489	117	2,755	(1,552)
(Increase) decrease in prepaid expenses and other assets	653	428	(242)	301	164
(Decrease) increase in accounts payable and accrued expenses	(488)	1,227	(1,297)	129	(6,010)
(Decrease) increase in security deposits and other liabilities	(35)	668	8	(164)	1,714
Net cash provided by operating activities of continuing operations	23,408	27,613	47,501	49,664	34,165
Net cash used in operating activities of discontinued operations	—	—	—	(2,072)	(2,986)
Net cash provided by operating activities	23,408	27,613	47,501	47,592	31,179
INVESTING ACTIVITIES					
Acquisition of real estate, net of cash acquired	(19,718)	—	—	—	—
Capital expenditures—operating properties	(2,260)	(3,060)	(6,782)	(19,442)	(19,223)
Capital expenditures—properties held for development	(91)	(104)	(226)	(480)	(888)
Decrease (increase) in restricted cash	16	(773)	(67)	949	(382)
Investment in real estate joint ventures	—	—	—	—	(47,727)
Distribution of capital from real estate joint ventures	10,607	—	—	11,383	27,871
Leasing commissions	(776)	(339)	(1,599)	(3,309)	(2,041)
Issuance of notes receivable to affiliates	—	(30)	(30)	(15,635)	(29,098)
Repayment of notes receivable from affiliates	800	—	1,160	11,530	24,638
Net cash used in investing activities of continuing operations	(11,422)	(4,306)	(7,544)	(15,004)	(46,850)
Net cash provided by investing activities of discontinued operations	—	—	—	17,115	2,409
Net cash (used in) provided by investing activities	(11,422)	(4,306)	(7,544)	2,111	(44,441)
Financing activities					
Issuance of secured notes payable	7,500	24,887	24,887	74,024	73,315
Repayment of secured notes payable	(9,053)	(20,936)	(25,172)	(53,818)	(50,604)
Issuance of unsecured notes payable	23,000	—	—	—	300
Repayment of unsecured notes payable	(2,382)	(3,525)	(8,279)	(4,032)	(875)
Issuance of notes payable to affiliates	—	—	—	12,000	—
Repayment of notes payable to affiliates	(1,171)	(1,060)	(2,173)	(2,160)	(1,552)
Debt issuance costs	(365)	(404)	(559)	(458)	(243)
Contributions from controlling interests	—	985	1,168	4,863	28,180
Distributions to controlling interests	(21,506)	(13,187)	(23,303)	(64,293)	(33,527)
Contributions from noncontrolling interests	—	—	28	570	6,561
Distributions to noncontrolling interests	(606)	(497)	(1,343)	(16,653)	(2,705)
Net cash (used in) provided by financing activities	(4,583)	(13,737)	(34,746)	(49,957)	18,850
Net increase (decrease) in cash and cash equivalents	7,403	9,570	5,211	(254)	5,588
Cash and cash equivalents, beginning of period	24,189	18,978	18,978	19,232	13,644
Cash and cash equivalents, end of period	$ 31,592	$ 28,548	$ 24,189	$ 18,978	$ 19,232
Supplemental cash flow information					
Cash paid for interest, net of amounts capitalized	$ 21,165	$ 21,607	$ 42,702	$ 43,957	$ 42,669
Supplemental schedule of noncash investing and financing activities					
Accounts payable and accrued expenses for property under development	$ 804	$ 415	$ (508)	$ (4,484)	$ 2,681
Assumption of Landmark debt upon acquisition	$ 133,000	—	—	—	—
Acquisition of Landmark working capital	$ 1,278	—	—	—	—

See accompanying notes.

American Assets Trust, Inc. Predecessor

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

American Assets Trust, Inc. is a Maryland corporation formed on July 16, 2010 that will not have any operating activity until the consummation of our initial public offering and the related acquisition of our predecessor. Accordingly, we believe that a discussion of the results of American Assets Trust, Inc. would not be meaningful for the periods covered by these financial statements prior to that acquisition.

Our Predecessor, which is not a legal entity but rather a combination of certain real estate entities, specializes in the ownership, management, development and redevelopment of real estate properties, which include the (1) property management business of American Assets, Inc. ("AAI") and (2) controlling and noncontrolling interests in 21 retail, office, multifamily and mixed-use operating properties and certain land parcels held for future development located in the western United States (collectively referred to as the "Predecessor" or the "Company"). During all periods presented in the accompanying combined financial statements, the Company is a collection of real estate entities controlled by Ernest Rady and his affiliates, including the Ernest Rady Trust U/D/T March 13, 1983 (the "Rady Trust"), that directly or indirectly own real estate properties. The ultimate owners of the Company are Ernest Rady and his affiliates, including the Rady Trust, and certain others who have minority ownership interests and voting rights. As used in these financial statements, unless the context otherwise requires, "we," "us" and "our company" mean our Predecessor for the periods presented and American Assets Trust, Inc., a Maryland corporation and its consolidated subsidiaries upon consummation of this offering and the formation transactions.

American Assets Trust, Inc. (the "REIT") intends to file a Registration Statement on Form S-11 with the Securities and Exchange Commission with respect to a proposed initial public offering (the "Offering") of its common stock. Substantially concurrently with the consummation of the Offering, which is expected to be completed in 2010, the REIT and its newly formed majority-owned limited partnership, American Assets Trust, L.P. (the "Operating Partnership"), will engage in certain formation transactions (the "Formation Transactions") with the partnerships, limited liability companies and corporations, and their partners, members and stockholders, that hold direct or indirect ownership interests in the properties to be acquired by the REIT and the Operating Partnership. The Formation Transactions will enable us to (1) consolidate the ownership of our property portfolio under the Operating Partnership; (2) succeed to the property management business of AAI; (3) facilitate the Offering; and (4) qualify as a real estate investment trust for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2010.

The operations of the REIT will be carried on primarily through the Operating Partnership. It is the intent of the REIT to elect and qualify to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ending December 31, 2010. Pursuant to the Formation Transactions, the REIT and the Operating Partnership will acquire indirect ownership of interests in the properties, as well as the property management, leasing, and real estate development operations of AAI, and will assume related debt and other specified liabilities in exchange for shares of common stock of the REIT and units of limited partner interest in the Operating Partnership. The REIT will be fully integrated, self-administered and self-managed. Additionally, the REIT will form a taxable subsidiary that will be owned by the Operating Partnership. The taxable REIT subsidiary, through several wholly owned limited liability companies, will conduct services businesses including property management, construction and property maintenance.

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Our combined financial statements include investments in certain real estate joint ventures in which Ernest Rady and his affiliates have significant influence, but not control, over major decisions, including the decision to sell or refinance the properties. These investments, which represent non-controlling 25% to 80% ownership interests, are accounted for using the equity method of accounting. Our investments in certain real estate joint ventures for which we have unilateral control, evidenced by the ability to make all major decisions, such as the acquisition, sale or refinancing of the property without approval of the minority party, have been combined in these financial statements as they are under the common control of Ernest Rady and his affiliates.

As of June 30, 2010, we owned or had a controlling interest in 17 office, retail and multifamily operating properties for which we consolidate their operations, and noncontrolling interests in four office, retail and mixed-use properties, which are accounted for under the equity method of accounting.

A summary of the properties owned by us are as follows:

Controlled Entities (Properties Consolidated by our Predecessor)

Retail

Carmel Country Plaza
Carmel Mountain Plaza
South Bay Marketplace
Rancho Carmel Plaza
Lomas Santa Fe Plaza
Del Monte Center
The Shops at Kalakaua
Waiklele Center
Alamo Quarry

Office

Torrey Reserve Campus
Valencia Corporate Centre
160 King Street
The Landmark at One Market

Multifamily

Loma Palisades
Imperial Beach Gardens
Mariner’s Point
Santa Fe Park RV Resort

Noncontrolled Properties (Equity Method of Accounting by our Predecessor)

Retail

Solana Beach Towne Centre

Office

Solana Beach Corporate Centre
Fireman’s Fund Headquarters

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Mixed-Use
Waikiki Beach Walk Retail and Hotel

Principles of Combination and Estimates

The combined financial statements include the accounts of the Predecessor and all entities in which the Predecessor has a controlling interest. When we are the general partner or managing member, we are presumed to control the partnership unless the limited partners or non-managing members possess either (a) the substantive ability to dissolve the partnership or otherwise remove us as the general partner or managing member without cause (commonly referred to as "kick-out rights"), or (b) the right to participate in substantive operating and financial decisions of the limited partnership or limited liability company that are expected to be made in the course of their business. The equity interests of other investors are reflected as noncontrolling interests. All significant intercompany transactions and balances are eliminated in combination. We account for our interests in joint ventures which we do not control using the equity method of accounting. Subsequent events have been evaluated through the date the financial statements were issued.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as "GAAP," requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Offering Costs

In connection with the Offering, affiliates have or will incur legal, accounting, and related costs, which will be assumed or reimbursed by the Company upon the consummation of the Offering. Such costs will be deducted from the gross proceeds of the Offering.

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risks. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

We make estimates of the collectability of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue. Accounts receivable is carried net of this allowance for doubtful accounts. We generally do not require collateral or other security from our tenants, other than letters of

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credit or security deposits. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At June 30, 2010 (unaudited), December 31, 2009, and December 31, 2008, accounts receivable include approximately $18.7 million, $19.6 million and $18.3 million, respectively, related to straight-line rents. At June 30, 2010 (unaudited), December 31, 2009 and December 31, 2008, our allowance for doubtful accounts was $1.1 million, $0.9 million and $1.1 million, respectively.

We recognize gains on sales of properties upon the closing of the transaction with the purchaser. Gains on properties sold are recognized using the full accrual method when (1) the collectability of the sales price is reasonably assured, (2) we are not obligated to perform significant activities after the sale, (3) the initial investment from the buyer is sufficient and (4) other profit recognition criteria have been satisfied. Gains on sales of properties may be deferred in whole or in part until the requirements for gain recognition have been met.

We receive various fee income from unconsolidated real estate joint ventures including property management fees, construction management fees, acquisition and disposition fees, leasing fees, asset management fees, and financing fees. Fee income is recorded as earned in accordance with the respective fee agreement. Profit from these fees, if any, are eliminated to the extent of our ownership interest in these entities. See Note 14.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. In 2009, 2008 and 2007, real estate depreciation expense was $25.3 million, $25.0 million and $24.2 million, respectively, including amounts from discontinued operations. Real estate depreciation expense was $12.6 million for the six months ended June 30, 2010 and 2009 (unaudited).

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles (for acquisitions made subsequent to June 30, 2001) such as in-place leases, and to current assets and liabilities

acquired, if any. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of operations. The value of above and below market leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income in the statement of operations. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income and amortization expense.

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance and construction costs and salaries and related costs of personnel directly involved. Additionally, we capitalize interest costs related to development and significant redevelopment activities. Capitalization of these costs begins when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use, at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine that the completion of development or redevelopment is no longer probable, we expense all capitalized costs which are not recoverable.

Impairment of Long Lived Assets

We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. The sale or disposal of a “component of an entity” is treated as discontinued operations. The operating properties sold by us typically meet the definition of a component of an entity and as such the revenues and expenses associated with sold properties are reclassified to discontinued operations for all periods presented.

Financial Instruments

The estimated fair values of financial instruments are determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair values. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. Accordingly, estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity less than three months. Cash balances in individual banks may exceed the federally insured limit of $250,000 by the Federal Deposit Insurance Corporation (the “FDIC”). At June 30, 2010 (unaudited) and December 31, 2009, we had $5.5 million and $1.8 million, respectively, in excess of the FDIC insured limit. At June 30, 2010 (unaudited) and December 31, 2009, we had $20.7 million and $17.3 million, respectively, in money market funds that are not FDIC insured.

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate tax expenditures, insurance expenditures, and reserves for capital improvements. Activity for accounts related to real estate tax and insurance expenditures is classified as operating activities in the statement of cash flows. Changes in reserves for capital improvements are classified as investing activities in the statement of cash flows.

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Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, lease incentives, acquired in place leases and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions and internal salaries and personnel costs related to obtaining a lease. Capitalized lease costs are amortized over the life of the related lease and included in depreciation and amortization expense on the statement of operations. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off. We view these lease costs as part of the up-front initial investment we made in order to generate a long-term cash inflow. Therefore, we classify cash outflows for lease costs as an investing activity in our combined statements of cash flows.

Debt Issuance Costs

Costs related to the issuance of debt instruments are capitalized and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method. If a debt instrument is paid off prior to its original maturity date, the unamortized balance of debt issuance costs are written off to interest expense or, if significant, included in “early extinguishment of debt.”

Variable Interest Entities

Certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest qualify as variable interest entities (VIE). VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that absorbs a majority of the entity’s expected losses, receives a majority of its expected returns, or both. We have evaluated our investments in certain joint ventures and determined that these joint ventures do not meet the requirements of a VIE and, therefore, consolidation of these ventures is not required. These investments are accounted for using the equity method. Our investment balances in our real estate joint ventures are presented separately in our combined balance sheets.

Investments in Real Estate Joint Ventures

We analyze our investments in real estate joint ventures under applicable guidance to determine if the venture is considered a VIE and would require consolidation. To the extent that the ventures do not qualify as VIEs, we further assess the venture to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights in order to determine whether consolidation is required.

We consolidate those ventures that are considered to be variable interest entities where we are the primary beneficiary. For non-variable interest entities, we combine those ventures that Ernest Rady controls through majority ownership interests or where we are the managing member and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the venture without the consent of the limited partner and inability of the limited partner to replace the general partner. We use the equity method of accounting for those ventures where we do not have control over operating and financial policies. Under the equity method of accounting, the investment in each venture is included on our balance sheet; however, the assets and liabilities of

the ventures for which we use the equity method are not included in the balance sheet. The investment is adjusted for contributions, distributions and our proportionate share of the net earnings or losses of each respective venture.

We assess whether there has been impairment in the value of our investments in real estate joint ventures periodically. An impairment charge is recorded when events or changes in circumstances indicate that a decline in the fair value below the carrying value has occurred and such decline is other-than-temporary. The ultimate realization of the investments in unconsolidated real estate joint ventures is dependent on a number of factors, including the performance of the investments and market conditions. Based upon such periodic assessments, no impairment occurred for the years ended December 31, 2009 and 2007 or the six months ended June 30, 2010 and 2009 (unaudited). During the year ended December 31, 2008, we recorded an impairment on one of our investments in unconsolidated real estate joint ventures. See Note 3.

Notes Receivable from Affiliate

Certain entities have made loans to affiliates in order to attain a higher return on excess cash balances, and these loans are classified as notes receivable from affiliates. The notes bear interest at LIBOR and are to be repaid upon demand.

Notes Payable Affiliates

Owners of certain entities have made loans to the entities, and these loans are classified as notes payable to affiliates. The notes bear interest at 10% and mature in 2013.

Income Taxes

We are comprised primarily of limited partnerships and limited liability companies. Under applicable federal and state income tax rules, the allocated share of net income or loss from the limited partnerships and limited liability companies is reportable in the income tax returns of the respective partners and members. We have several C-corporations and S-corporations that hold 1% general partnership interests or managing member interests. Such corporations result in an immaterial amount of income tax liability, which is included in general and administrative expense. Additionally, these corporations do not give rise to any material deferred taxes.

Segment Information

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in three business segments: (i) the acquisition, redevelopment, ownership and management of office real estate, (ii) the acquisition, redevelopment, ownership and management of retail real estate, and (iii) acquisition, redevelopment, ownership and management of multifamily real estate. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our retail segment primarily include rental of the retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services.

FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (“FASB”) issued new accounting requirements, which make the FASB Accounting Standards Codification (“Codification”) the single source of authoritative literature for U.S. accounting and reporting standards. The Codification is not meant to change

existing GAAP but rather provide a single source for all literature. The standard is effective for all periods ending after September 15, 2009. The standard required our financial statements to reflect Codification or "plain English" references rather than references to FASB Statements, Staff Positions or Emerging Issues Task Force Abstracts. The adoption of this requirement impacted certain disclosures in the financial statement but did not have an impact on our combined financial position, results of operations, or cash flows.

Recently Adopted Accounting Pronouncements

Effective January 1, 2009, we adopted a new accounting standard that broadens and clarifies the definition of a business, which will result in significantly more of our acquisitions being treated as business combinations rather than asset acquisitions. The new requirement is effective for business combinations for which the acquisition date is on or after January 1, 2009, and therefore, will only impact prospective acquisitions with no change to the accounting for acquisitions completed prior to or on December 31, 2008. The new standard requires us to expense all acquisition related transaction costs as incurred which could include broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees. For acquisitions prior to January 1, 2009, these costs were capitalized as part of the acquisition cost. While the adoption did not have a material impact on our financial statements for 2009, the impact to our future combined financial statements will vary significantly depending on the timing and number of acquisitions or potential acquisitions, size of the acquisitions, and location of the acquisitions. The new standard includes several other changes to the accounting for business combinations including requiring contingent consideration to be measured at fair value at acquisition and subsequently remeasured through the income statement if accounted for as a liability as the fair value changes, any adjustments during the purchase price allocation period to be "pushed back" to the acquisition date with prior periods being adjusted for any changes, and the business combination to be accounted for on the acquisition date or the date control is obtained.

Effective January 1, 2009, we adopted a new accounting standard that significantly changes the accounting and reporting of minority interests in the combined financial statements and requires a noncontrolling interest, which was previously referred to as a minority interest, to be recognized as a component of equity rather than included in the mezzanine section of the balance sheet where it was previously presented. The terminology "minority interest" has been changed to "noncontrolling interest". The "minority interest" caption on the statement of operations is now reflected as "net income attributable to noncontrolling interests" and shown after combined net income. This is a presentation only change for minority interest on both the balance sheet and statement of operations and has no impact to total liabilities and shareholders' equity, or net income available to common shareholders. The statement also requires the recognition of 100% of the fair value of assets acquired and liabilities assumed in acquisitions of less than 100% controlling interest with subsequent acquisitions of the noncontrolling interest recorded as equity transactions. The new accounting standard was adopted effective January 1, 2009 and has been applied prospectively except for the presentation changes to the balance sheet and statement of operations which have been applied retrospectively in the 2008 and 2007 combined financial statements. While there was no additional impact on the combined financial statements during 2009, the impact on our future combined financial statements will vary depending on the level of transactions with entities involving noncontrolling interests. The adoption of this standard impacted our accounting for the acquisition of the outside interest in an office property referred to as The Landmark at One Market ("Landmark"). See Note 2.

Effective January 1, 2009, we adopted a new accounting standard that requires enhanced disclosures about an entity's derivative instruments and hedging activities. The adoption did not have an impact on our combined financial statements as we currently have no derivative instruments outstanding.

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Effective January 1, 2009, we adopted a new accounting standard which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The new accounting standard clarifies that equity method investments should initially be measured at cost, the issuance of shares by the investee would result in a gain or loss on issuance of shares reflected in the income statement of the equity investor, and that a loss in value of an equity investment which is other than a temporary decline should be recognized. The standard was effective on a prospective basis beginning on January 1, 2009, and did not have a material impact on our financial position, results of operations, or cash flows.

Effective January 1, 2009, we adopted certain accounting guidance within ASC Topic 740, Income Taxes ("ASC 740"), with respect to how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. The guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. We are required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. We have had no examinations in progress and none are expected at this time. As of December 31, 2009, we have reviewed all open tax years and major jurisdictions and concluded the adoption of the new accounting guidance resulted in no impact to our financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

As of April 1, 2009, we adopted a new accounting standard which establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued and requires disclosure of the date through which subsequent events have been evaluated. We have added disclosure in this Note 1 under "Principles of Combination and Estimates" regarding the date through which we have evaluated subsequent events.

In June 2009, the FASB issued a new accounting standard which provides certain changes to the evaluation of a VIE including requiring a qualitative rather than quantitative analysis to determine the primary beneficiary of a VIE, continuous assessments of whether an enterprise is the primary beneficiary of a VIE, and enhanced disclosures about an enterprise's involvement with a VIE. The standard is effective January 1, 2010, and is applicable to all entities in which an enterprise has a variable interest. The adoption of this standard did not have a material impact on our financial position, results of operations, or cash flows.

In January 2010, the FASB issued a new accounting standard to improve disclosure over fair value measurements. The new standard amends previously issued guidance and clarifies and provides additional disclosure requirements relating to recurring and non-recurring fair value measurements. This standard became effective for us on January 1, 2010. The adoption of the standard did not have a material impact on our combined financial statements.

Unaudited interim information

The financial statements as of June 30, 2010 and for the six months ended June 30, 2010 and 2009 are unaudited. In the opinion of management, such financial statements reflect all adjustments necessary for a fair presentation of the respective interim periods. All such adjustments are of a normal recurring nature.

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NOTE 2. REAL ESTATE

A summary of our real estate investments and related encumbrances is as follows (In thousands):

	Cost	Accumulated Depreciation and Amortization	Encumbrances
June 30, 2010 (unaudited)			
Retail	$ 696,421	$ (121,508)	$ 465,734
Office	368,595	(53,829)	286,311
Multifamily	70,541	(31,389)	103,323
	$ 1,135,557	$ (206,726)	$ 855,368
December 31, 2009			
Retail	$ 694,363	$ (112,404)	$ 467,728
Office	203,753	(51,208)	152,846
Multifamily	70,216	(30,512)	103,346
	$ 968,332	$ (194,124)	$ 723,920
December 31, 2008			
Retail	$ 692,723	$ (94,355)	$ 471,508
Office	201,381	(45,855)	149,310
Multifamily	67,998	(28,655)	103,388
	$ 962,102	$ (168,865)	$ 724,206

We completed no significant acquisitions in 2009, 2008, or 2007. On June 30, 2010 (unaudited), we acquired the controlling interests in an office building located in San Francisco, California, known as The Landmark at One Market (“Landmark”). Prior to acquisition of the controlling interests in Landmark, we owned a 35% noncontrolling interest in the entity owning Landmark, which was accounted for under the equity method of accounting. The aggregate net acquisition cost for this property approximated $23.0 million plus assumption of debt of $133.0 million (of which $87.1 million was attributable to the outside owners’ interest). Upon acquisition, we remeasured the assets and liabilities at fair value and recorded a gain of $4.3 million which is included in income (loss) from real estate joint ventures. The gain was calculated based on the difference between the estimated fair value of our ownership interest of $12.1 million compared to our historical cost interest of $7.8 million. The fair value was estimated utilizing the price we paid for the outside ownership interest as an indicator of value; and we compared this value to market data. The fair values assigned to identifiable intangible assets acquired were based on estimates and assumptions determined by management. Using information available at the time the acquisition closed, we allocated the purchase price to tangible assets and liabilities and identified intangible assets and liabilities. We may adjust the preliminary purchase price allocation after obtaining more information about asset valuations and liabilities assumed. The identified intangible assets are being amortized over a weighted average life of 9.1 years.

The allocation of the estimated fair value of this acquired Landmark asset and liabilities was as follows (In thousands):

Land	$ 32,590
Building	126,795
Tenant improvements	4,685
Total Real Estate	164,070
Cash and cash equivalents	3,249
Accounts and notes receivable, net	193
Prepaid expenses and other assets	14,806
Total assets	182,318
Secured note payable	133,000
Accounts payable and accrued expenses	928
Security deposits payable	162
Other liabilities and deferred credits	13,159
Total liabilities	$ 147,249

We allocated $4.4 million, $8.9 million, and $1.4 million to acquired in place leases, acquired above-market leases, and lease commissions and other intangible assets, respectively. We further allocated $12.1 million to acquired below-market leases liability. We have included Landmark's results of operations in our combined results of operations from the date of acquisition of June 30, 2010.

On August 13, 2008, we sold an office property located in Chicago, Illinois for approximately $16.5 million in cash and recorded a net gain on disposal of $2.6 million. The vacant property was acquired on November 30, 2005 for a purchase price of $14.0 million. It was held for investment and was not leased to tenants.

NOTE 3. INVESTMENTS IN REAL ESTATE JOINT VENTURES

As of June 30, 2010, we had four joint venture arrangements with unrelated third parties. We owned from 25% to 80% of each of these ventures. For two of these ventures, we are the general partner or managing member; however, the outside owners are either co-general partner or have substantive participating rights, and we cannot make significant decisions without the outside owners' approval. Accordingly, we account for these investments under the equity method. We act as the manager of the three properties owned by these two ventures and receive fees in accordance with service contracts (Note 14). We have the opportunity to receive performance-based earnings through our ownership interest in these entities.

For the joint venture that owns a mixed-use property in Honolulu, Hawaii, we have an effective 80% limited ownership interest in the property; however, the outside owner is the managing member and manages the day-to-day business of the property. In addition, we do not have "kick-out" rights relating to the outside owners' general partner interest. Accordingly, we account for these investments under the equity method of accounting.

The properties owned by these unconsolidated joint ventures at June 30, 2010, are as follows:

Property	Type	Location
Solana Beach Towne Centre	Retail	Solana Beach, CA
Solana Beach Corporate Centre	Office	Solana Beach, CA
Fireman's Fund Headquarters	Office	Novato, CA
Waikiki Beach Walk	Mixed Use	Honolulu, HI

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As discussed in Note 2, we previously held an investment in an office property in San Francisco, known as Landmark. On June 30, 2010, we acquired the unrelated third party's interest in the property, and the entity is included in our Predecessor balances as of June 30, 2010. Prior to acquisition of the third party interests, we owned 35% of the entity and accounted for our investments under the equity method. We recorded a gain on this acquisition of $4.3 million which is included in income (loss) from real estate joint ventures for the six months ended June 30, 2010. We were the managing member; however, the outside owners had substantive participating rights, and we could not make significant decisions without the outside owners' approval. We are the manager of the property. Landmark's results of operations for the six months ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008, and 2007 are included in the table below. Landmark's financial position is included in the table below as of December 31, 2009, 2008, and 2007.

During the year ended December 31, 2008, we recorded an impairment loss of $15.8 million on our investment in Fireman's Fund, which is included in equity in losses. The impairment loss was the result of the credit crisis in 2008 which caused increases in capitalization rates and therefore, a decline in the fair value of our investment in Fireman's Fund which we determined was other than temporary. Based on the significance of unobservable inputs used in estimating the fair value of our investment in Fireman's Fund, we classify this fair value investment within Level 3 of the valuation hierarchy (See Note 8 for hierarchy levels).

The following tables provide summarized operating results and the financial position of the unconsolidated entities (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
OPERATING RESULTS					
Revenue	$ 49,954	$ 51,038	$101,458	$107,356	$ 85,973
Expenses					
Other operating expenses	24,607	25,341	41,293	43,877	36,437
Impairment loss[3]	38,465	—	—	—	—
Depreciation and amortization	16,479	16,508	33,066	32,704	28,540
Interest expense	12,335	12,376	33,130	35,020	31,117
Total expenses	91,886	54,225	107,489	111,601	96,094
Net loss	$ (41,932)	$ (3,187)	$ (6,031)	$ (4,245)	$(10,121)
Our share of net loss	$ (2,890)[1]	$ (2,503)	$ (4,865)	$ (3,436)[2]	$ (7,191)

(1) Excludes the gain recorded on the acquisition of Landmark of $4,297.
(2) Excludes the impairment loss on Fireman's Fund of $15,836.
(3) The tenant that occupies the Fireman's Fund Headquarters has a right of first offer to acquire the property. In anticipation of the Formation Transactions discussed in Note 1, the real estate venture that owns the Fireman's Fund Headquarters delivered an offer notice to the tenant in August 2010. The delivery of this offer notice could potentially impact the venture's ability to hold the office property for a long-term investment. This potential inability to hold the real estate property for a long term investment, combined with the decline in fair value of the real estate property below its carrying amount resulted in the venture recording an impairment loss on the real estate property on the venture's financial statements during the six months ended June 30, 2010. During 2008, we recorded an impairment of our equity method investment in the Fireman's Fund Headquarters real estate venture, as we determined that during 2008 the fair value of our equity method investment in the Fireman's Fund Headquarters was below our historical cost as a result

of a reduction in real estate values due to the credit crisis that occurred during 2008. As a result, for the six months ended June 30, 2010 (unaudited) we did not record our share of the impairment losses recorded on the venture's financial statements, as we believe our investment in the Fireman's Fund Headquarters joint venture at June 30, 2010 (adjusted for previously recorded impairment losses) is not impaired.

	June 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
	(In thousands)	(In thousands)	
BALANCE SHEETS			
Real estate, net	$ 466,511	$675,388	$701,987
Cash	14,237	18,419	12,222
Other assets	51,298	64,078	74,284
Total assets	$ 532,046	$757,885	$788,493
Mortgages payable	462,083	579,771	583,273
Notes payable to affiliate	14,874	14,874	14,888
Other liabilities	21,774	37,277	41,773
Partners' capital	33,315	125,963	148,559
Total liabilities and partners' capital	$ 532,046	$757,885	$788,493
Our share of unconsolidated debt	$ 247,162	$285,145	$286,280
Our share of partners' capital	$ (5,581)	$ 21,073	$ 29,948
Our investment in real estate joint ventures, net	$ 30,668	$ 55,361	$ 67,661

The difference between our investment in real estate ventures and our share of the underlying capital is attributable to the following items which are included in our investments in the real estate ventures: estimated impairment losses relating to our investments, the allocation of fair value in excess of historical cost recorded upon formation of our investment in the venture, capitalized interest, and intercompany profit elimination adjustments. These differences are recognized by us in our share of net income or loss and upon the sale of the real estate held by the real estate ventures.

NOTE 4. ACQUIRED IN-PLACE LEASES AND ABOVE/BELOW-MARKET LEASES

Acquired in-place leases are included in prepaid expenses and other assets and had a balance of $40.9 million (unaudited), $36.4 million and $36.4 million and accumulated amortization of $28.3 million (unaudited), $27.3 million and $25.1 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired above market leases are included in prepaid expenses and other assets and had a balance of $36.4 million (unaudited), $27.5 million and $27.5 million and accumulated amortization of $18.6 million (unaudited), $17.2 million and $14.2 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired below market leases are included in other liabilities and deferred credits and had a balance of $38.9 million (unaudited), $26.9 million and $26.9 million and accumulated amortization of $20.2 million (unaudited), $19.6 million and $18.1 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. The value allocated to in-place leases is amortized over the related lease term as depreciation and amortization expense in the statement of operations. Above and below market leases are amortized over the related lease term as additional rental income for below market leases or a reduction of rental income for above market leases in the statement of operations. Rental income (loss) included net amortization from acquired above and below market leases of $(1.4) million, $(0.2) million and $0.3 million in 2009, 2008 and 2007, respectively and $(0.9) million and $(0.7) million for the six months ended June 30, 2010 and 2009 (unaudited), respectively. The remaining weighted-average amortization period as of December 31, 2009, is 5.1 years, 4.7 years and 8.9 years for in place leases, above market leases and below market leases, respectively.

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Increases (decreases) in net income as a result of amortization of the Company's in-place leases, above-market leases and below-market leases are as follows (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Amortization of in-place leases	$ (976)	$(1,100)	$(2,173)	$(3,555)	$(4,833)
Amortization of above market leases	(1,453)	(1,465)	(2,931)	(3,207)	(3,441)
Amortization of below market leases	577	764	1,524	3,037	3,735
	$(1,852)	$(1,801)	$(3,580)	$(3,725)	$(4,539)

As of December 31, 2009, the amortization for acquired in-place leases during the next five years and thereafter, assuming no early lease terminations, is as follows:

	In-Place Leases	Above Market Leases	Below Market Leases
		(In thousands)	
Year ending December 31,			
2010	$1,881	$ 2,887	$ 1,229
2011	1,705	2,875	1,060
2012	1,527	1,658	1,003
2013	1,238	1,167	799
2014	697	400	598
Thereafter	2,117	1,345	2,619
	$9,165	$ 10,332	$ 7,308

NOTE 5. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of:

	June 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
		(In thousands)	
Leasing commissions, net of accumulated amortization of $12,535, $12,525 and $11,379, respectively	$ 11,553	$ 11,013	$ 11,547
Acquired above market leases, net	17,808	10,332	13,263
Acquired in-place leases, net	12,609	9,165	11,338
Lease incentives, net of accumulated amortization of $1,295, $1,110 and $740, respectively	2,405	2,590	2,960
Other intangible assets, net of accumulated amortization of $1,097, $1,066 and $1,000, respectively	566	174	239
Prepaid expenses and deposits	253	729	646
Total prepaid expenses and other assets	$ 45,194	$ 34,003	$ 39,993

Lease incentives are amortized over the term of the related lease and included as a reduction of rental income in the statement of operations.

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NOTE 6. OTHER LIABILITIES AND DEFERRED CREDITS

Other liabilities and deferred credits consist of the following as of:

	June 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
		(In thousands)	
Acquired below market leases, net	$ 18,791	$ 7,308	$ 8,833
Prepaid rent	5,146	4,228	4,135
Other liabilities	47	37	81
Total other liabilities and deferred credits	$ 23,984	$ 11,573	$ 13,049

NOTE 7. DEBT

The following is a summary of our total debt outstanding as of June 30, 2010, December 31, 2009 and December 31, 2008 (In thousands):

Description of Debt	Principal Balance as of June 30, 2010 (unaudited)	Principal Balance as of December 31, 2009	Principal Balance as of December 31, 2008	Stated Interest Rate as of June 30, 2010	Stated Maturity Date
Secured Notes Payable					
Alamo Quarry Market [3][8]	$ 98,954	$ 99,886	$101,655	5.670%	January 8, 2014
Carmel Country Plaza[3]	10,271	10,395	10,628	7.365%	January 2, 2013
Carmel Mountain Plaza[3]	63,555	64,195	65,413	5.520%	June 1, 2013
Del Monte Center [5]	82,300	82,300	82,300	4.926%	July 8, 2015
Lomas Santa Fe Plaza[3]	19,850	20,097	20,562	6.934%	May 1, 2013
Rancho Carmel Plaza [3]	8,103	8,156	8,250	5.652%	January 1, 2016
The Shops at Kalakaua [5]	19,000	19,000	19,000	5.449%	May 1, 2015
South Bay Marketplace [5]	23,000	23,000	23,000	5.477%	February 10, 2017
Waikele Center [5]	140,700	140,700	140,700	5.145%	November 1, 2014
160 King Street [1][5]	8,564	8,564	9,764	LIBOR +1.55%	November 1, 2012
160 King Street[6]	33,659	34,367	35,724	5.680%	May 1, 2014
The Landmark at One Market [5][8]	133,000	—	—	5.605%	July 5, 2015
Torrey Reserve Campus:					
ICW Plaza [5]	43,000	43,000	43,000	5.463%	February 1, 2017
North Court [3]	22,281	22,392	16,344	7.220%	June 1, 2019
South Court [3]	13,059	13,223	13,531	6.884%	May 1, 2013
VC I [3]	2,228	1,751	1,777	6.355%	June 1, 2020
VC II [3]	1,852	1,455	1,477	6.355%	June 1, 2020
VC III [3]	3,414	2,683	2,723	6.355%	June 1, 2020
Torrey Daycare [4]	1,673	1,687	848	6.500%	June 1, 2019
Valencia Corporate Center [1][2]	7,798	7,798	7,929	LIBOR +3.00%	November 1, 2010
Valencia Corporate Center[3]	15,783	15,925	16,193	6.520%	October 1, 2012
Imperial Beach Gardens [5]	20,000	20,000	20,000	6.163%	September 1, 2016
Loma Palisades [5]	73,744	73,744	73,744	6.090%	July 1, 2018
Mariner's Point [5]	7,700	7,700	7,700	6.092%	September 1, 2016
Santa Fe Park RV Resort[3]	1,880	1,902	1,944	7.365%	January 2, 2013
	855,368	723,920	724,206		
Unsecured Notes Payable					
Waikele Center Notes [1][5]	10,482	12,864	21,143	LIBOR +3.75%	February 15, 2011
Landmark Note [1][5]	23,000	—	—	LIBOR +2.00%	July 1, 2013
	33,482	12,864	21,143		
Notes Payable to Affiliates					
Del Monte Center Affiliate Notes[7]	6,496	7,667	9,840	10.000%	March 1, 2013
Total Debt Outstanding	$ 895,346	$744,451	$755,189		

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(1) Loan is fully or partially guaranteed by owners or affiliates.
(2) Interest rate has floor of 4.50%
(3) Principal payments based on a 30-year amortization schedule.
(4) Principal payments based on a 25-year amortization schedule. The interest rate will be reset to the greater of 6.5% or LIBOR plus 4.00% on June 1, 2014.
(5) Interest only.
(6) Principal payments based on a 20-year amortization schedule.
(7) Principal payments based on a 5-year amortization schedule.
(8) Maturity Date is the earlier of the loan maturity date under the loan agreement, or the "Anticipated Repayment Date" as specifically defined in the loan agreement, which is the date after which substantial economic penalties apply if the loan has not been paid off.

On June 30, 2010, we obtained a $23.0 million unsecured loan related to our acquisition of the third party's interests in Landmark. The loan bears interest at LIBOR plus 2.0% through July 1, 2011 with increases of 0.50% on July 2, 2011 and July 2, 2012. The loan matures on July 1, 2013 and requires interest only payments through maturity, except for a one time repayment of $4.0 million due on or before December 31, 2010.

On June 1, 2010, we closed on a $7.5 million ten year loan secured by a deed of trust on the property owned by Torrey Reserve—VC I, Torrey Reserve—VC II, and Torrey Reserve—VC III in San Diego, California. The loan bears interest at 6.355% and matures on June 1, 2020. The proceeds from the loan were used to repay the outstanding loans on Torrey Reserve—VC I, Torrey Reserve—VC II, and Torrey Reserve—VC III, which had outstanding balances of $5.8 million at the time of repayment.

On March 18, 2010, the Waikele Center unsecured loans were modified to extend their maturity to February 15, 2011. The previous maturity date was February 15, 2010, which had been extended during 2009 from the original maturity date of January 1, 2009.

On May 31, 2009, we refinanced the then-existing loan on the Torrey Reserve—North Court property of $16.2 million with a new $22.5 million loan that bears interest at 7.220% and matures on June 1, 2019.

On May 31, 2009, we refinanced the then existing loan on the Torrey Reserve—Daycare property of $0.9 million with a new $1.7 million loan which bears interest at 6.500%, until the interest adjustment date of June 1, 2014 at which time the interest rate will adjust to the greater of 6.500% or LIBOR plus 4%. The loan matures on June 1, 2019.

On January 20, 2009, the Valencia Corporate Center construction loan was modified, and the loan commitment of $11.7 million was reduced to $10.0 million. On November 5, 2009, the loan was further modified to reduce the loan commitment to $9.2 million and extend the maturity through November 1, 2010. At modification, a principal payment of $0.8 million was made to reduce the outstanding principal balance to $7.8 million.

On June 30, 2008, we refinanced the then existing loan on the Loma Palisades property of $35.8 million with a new $73.7 loan which bears interest at 6.090% and matures on July 1, 2018.

On January 15, 2008, we entered into unsecured loans with certain of the entities that own Del Monte Center pursuant to which they lent us $12.0 million, the proceeds of which were used to fund construction at the property. The notes bear interest at 10.000% and require monthly principal and interest payments. The notes mature on March 1, 2013.

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Certain loans require us to comply with various financial covenants, including the maintenance of minimum debt coverage ratios. As of June 30, 2010 and December 31, 2009, we were in compliance with all loan covenants.

Scheduled principal payments on notes payable as of December 31, 2009 are as follows (In thousands):

	Secured Notes	Unsecured Notes	Notes to Affiliates	Total Principal
Year Ending December 31,				
2010	$ 12,265	$ 12,864	$ 2,401	$ 27,530
2011	6,773	—	2,616	9,389
2012	38,524	—	2,093	40,617
2013	106,485	—	557	107,042
2014	261,001	—	—	261,001
Thereafter	298,872	—	—	298,872
	$ 723,920	$ 12,864	$ 7,667	$ 744,451

Subsequent to December 31, 2009, of the $12.3 million principal payments on secured notes due in 2010, $5.8 million were refinanced to be due beyond December 31, 2010. Subsequent to December 31, 2009, the $12.9 million principal payments on unsecured notes due in 2010 were extended to be due in 2011.

NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability. The hierarchy for inputs used in measuring fair value is as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities

2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities

3. Level 3 Inputs—unobservable inputs

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. The fair value of our mortgages payable and notes payable is sensitive to fluctuations in interest rates. Discounted cash flow analysis (Level 2) is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the carrying amount and fair value of our notes payable is as follows (In thousands):

	June 30, 2010 (unaudited)		December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured notes payable	$ 855,368	$ 848,797	$ 723,920	$ 693,284	$ 724,206	$ 703,933
Unsecured notes payable	$ 33,482	$ 33,263	$ 12,864	$ 12,728	$ 21,143	$ 19,925

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Due to related party nature, notes to affiliates cannot be measured at fair value.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Legal

We are sometimes involved in lawsuits, warranty claims and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

Commitments

At the Landmark property acquired on June 30, 2010 (unaudited), we lease as lessee a building adjacent to the property under an operating lease effective through, June 30, 2011, which we have the option to extend until 2026 by way of three five-year extension options. Subsequent to June 30, 2010, we have exercised a renewal option for a renewal term of July 1, 2011 through June 30, 2016. Monthly lease payments during this renewal term will be the greater of current payments or 97.5% of the prevailing rate at the start of the renewal term. Current minimum annual payments under the lease (excluding the renewal term) are as follows, as of June 30, 2010 (In thousands):

2010	$ 702
2011	701
Total	$1,403

Our Del Monte Center property has ongoing environmental remediation related to ground water contamination. The environmental issue existed at purchase and remediation is expected to conclude within the next three years. The work performed is financed through an escrow account funded by the seller upon purchase of the property. We believe the funds in the escrow account are sufficient for the remaining work to be performed. However, if further work is required costing more than the remaining escrow funds, we could be required to pay such overage, although we may have a contractual claim for such costs against the prior owner or our environmental remediation consultant.

Concentrations of Credit Risk

Our properties are located in Southern California, Northern California, Hawaii, and Texas. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory and social

factors affecting the markets in which the tenants operate. Eleven of our consolidated properties are located in Southern California, which exposes us to greater economic risks than if we owned a more geographically disbursed portfolio. Further, revenues derived from tenants in the retail industry were 66% and 65% of total revenues for the six months ended June 30, 2010 (unaudited) and the year ended December 31, 2009, respectively. This makes us susceptible to demand for retail rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the retail industry. Additionally, four of our retail properties (Alamo Quarry, Del Monte Center, Carmel Mountain Plaza and Waikele Center) accounted for 52% and 51% of total revenues for the six months ended June 30, 2010 (unaudited) and the year ended December 31, 2009, respectively. Two retail tenants, Lowe's and K-Mart at Waikele Center, comprise 5% and 4%, respectively, of our total annualized base revenue, and one office tenant, DLA Piper at 160 King Street, accounts for 4% of our total annualized base revenue as of December 31, 2009. An additional seven tenants (Foodland Supermarket, Sports Authority, Insurance Company of the West, Ross Dress for Less, Borders, Officemax, and Brown & Toland) account for approximately 13% of our annualized base revenues as of December 31, 2009 when aggregated.

NOTE 10. OPERATING LEASES

At December 31, 2009, our office and retail properties are located in three states. At December 31, 2009, we have approximately 420 leases with office and retail tenants. Our residential properties are located in Southern California, and we have approximately 760 leases with residential tenants at December 31, 2009, excluding Santa Fe Park RV Resort.

Our leases with commercial property (office and retail) and residential tenants are classified as operating leases. Commercial property leases generally range from three to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, usually provide for cost recoveries for the tenant's share of certain operating costs and also may include percentage rents based on the tenant's level of sales achieved. Leases on apartments generally range from 7 to 15 months, with a majority having 12 month lease terms.

As of December 31, 2009, minimum future commercial property rentals from noncancelable operating leases, before any reserve for uncollectible amounts and assuming no early lease terminations, at our office and retail properties are as follows (In thousands):

2010	$ 95,186
2011	92,274
2012	84,262
2013	66,881
2014	43,604
Thereafter	139,897
Total	$ 522,104

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NOTE 11. COMPONENTS OF RENTAL INCOME AND EXPENSE

The principal components of rental income are as follows (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Minimum rents					
Retail	$ 28,566	$ 28,575	$ 57,332	$ 58,401	$ 56,818
Office	11,279	11,726	23,066	22,549	20,469
Residential	6,572	6,747	13,361	13,364	13,005
Cost reimbursement	9,210	7,273	17,206	20,286	20,379
Percentage rent	428	376	1,184	1,476	1,565
Other	454	555	931	1,028	1,088
Total rental income	$ 56,509	$ 55,252	$ 113,080	$ 117,104	$ 113,324

Minimum rents include $1.3 million, $2.5 million and $2.6 million for 2009, 2008 and 2007, respectively, and $0.7 million for the six months ended June 30, 2010 and 2009 (unaudited) to recognize minimum rents on a straight-line basis. In addition, minimum rents include $(1.4) million, $(0.2) million and $0.3 million for 2009, 2008 and 2007, respectively, and $(0.9) million and $(0.7) million for the six months ended June 30, 2010 and 2009 (unaudited), respectively, to recognize income from the amortization of above and below market leases.

The principal components of rental expenses are as follows (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Repairs and maintenance	$ 2,968	$ 2,909	$ 6,271	$ 7,157	$ 7,594
Facilities services	2,270	2,334	4,586	4,416	4,354
Utilities	1,558	1,544	3,184	2,967	2,860
Payroll	1,166	1,091	2,381	2,730	2,200
Hawaii excise tax	525	516	1,044	1,004	969
Bad debt expense	254	232	273	488	459
Insurance	597	573	1,162	1,481	1,528
Marketing	253	327	780	1,078	1,068
Management fees	52	118	194	258	303
Other operating	221	210	461	450	339
Total rental expenses	$ 9,864	$ 9,854	$20,336	$22,029	$21,674

NOTE 12. DISCONTINUED OPERATIONS

Results of properties sold which meet certain requirements, constitute discontinued operations and as such, the operations of these properties are classified as discontinued operations for all periods presented.

On August 13, 2008, we sold an office property located in Chicago, Illinois for approximately $16.5 million in cash and recorded a net gain on disposal of $2.6 million. The vacant property was acquired on November 30, 2005 for a purchase price of $14.0 million. It was held for investment and was not leased to tenants and had no revenue for the periods held.

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Net expenses and net loss from the property's discontinued operations were as shown in the following table (In thousands).

	Year Ended December 31,		
	2009	2008	2007
Expenses of discontinued operations	$—	$ 2,074	$ 2,974
Results from discontinued operations			
Net loss from discontinued operations	$—	$(2,071)	$(2,874)
Gain on sale of real estate from discontinued operations	—	2,625	—
Total net income (loss) from discontinued operations	$—	$ 554	$(2,874)

NOTE 13. RELATED PARTY TRANSACTIONS

We act as the manager for certain unconsolidated real estate joint ventures and earn fees for these services (excluding the Waikiki Beach Walk Property). Each unconsolidated joint venture (excluding the Waikiki Beach Walk Property) has a master management agreement with additional agreements covering property management, construction management, acquisition, disposition and leasing and asset management. These agreements provide for the following fees to be paid to us by these unconsolidated joint ventures:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the properties. Fees range from 1.25% to 5.5% of gross monthly cash collections each month, with minimum monthly fees ranging from $2,500 to $5,000.

- *Construction Management Fees*—Construction management fees are incurred for the management and supervision of construction projects owned by the unconsolidated joint ventures. Fees range from 3.0% to 5.0% of construction and development costs on buildings and improvements for most properties although certain agreements provide for a flat fee. For tenant improvements, fees are 10% of costs for projects where we directly supervise construction subcontractors or 3% for projects where we manage a general contractor, plus hourly fees for employees directly working on the tenant improvements.

- *Acquisition and Disposition Fees*—Acquisition and disposition fees are incurred for services provided in conjunction with acquisition and disposition of the properties owned by the unconsolidated real estate joint venture. Fees are either 0.5% or 1% of the total value of all the acquisition or disposition.

- *Leasing Fees*—Leasing fees are incurred for services provided to procure tenants for the properties owned by the unconsolidated joint venture. Fees are 1% of the total value of all leases executed for the properties, including new leases, renewals, extensions or other modifications.

- *Asset Management Fees/Financing Fees*—Asset management fees are incurred for evaluating property value, performance, and/or condition, appealing property assessments or tax valuations, recommending ways to enhance value, and procuring financing. The fees are charged at hourly rates ranging from $40 – $125 for asset management services. In addition, financing fees are paid for any permanent financing placed on the properties, with fees of either of 25 – 50 basis points times the financed amount or a flat fee of $50,000.

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

In addition to the fees noted above, certain unconsolidated joint ventures also reimburse us for monthly maintenance and facilities management services provided to the properties owned by the unconsolidated joint ventures.

Fees earned by us from the unconsolidated joint ventures are as follows (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Property management fees	$ 791	$ 805	$1,604	$1,407	$ 943
Construction management fees	5	6	12	24	192
Acquisition and disposition fees	—	—	—	—	1,295
Leasing fees	957	—	—	—	—
Asset management fees/financing fees	130	—	—	—	187
Maintenance reimbursements	60	60	120	107	104
	$ 1,943	$ 871	$1,736	$1,538	$2,721

Fees receivable from the unconsolidated joint ventures of $0.11 million, $0.09 million, and $0.11 million as of June 30, 2010 (unaudited), December 31, 2009 and December 31, 2008, respectively, are included in accounts receivable.

Certain affiliated entities have made loans to affiliates in order to attain a higher return on excess cash balances, and these loans are classified as notes receivable from affiliates. The notes bear interest at LIBOR and are to be repaid upon demand. A summary of the outstanding notes receivable balances and interest income are as follows (In thousands):

	As of and for the six months ended June 30,		As of and for the year ended December		
	2010	2009	2009	2008	2007
	(unaudited)				
Notes receivable	$ 21,769	$ 22,129	$20,969	$22,099	$17,994
Interest income	$ 27	$ 47	$ 76	$ 641	$ 1,675

We received unsecured loans on January 15, 2008 from certain of the entities that own Del Monte Center for $12.0 million, the proceeds of which were used to fund construction at the property. The notes bear interest at 10.000% and require monthly principal and interest payments until maturity on March 1, 2013. These notes have been classified as notes payable to affiliates. Interest expense related to these notes was $0.3 million and $0.5 million for the six months ended June 30, 2010 and 2009 (unaudited), respectively, and $0.9 million and $1.0 million for the years ended December 31, 2009 and 2008, respectively.

At Valencia Corporate Center and ICW Plaza we lease space to Insurance Company of the West, which is under the indirect control of Ernest Rady. At Torrey Reserve—South Court we also leased space to Insurance Company of the West for 2007 through 2009. Rental revenue recognized on the leases of $2.2 million and $2.6 million six months ended June 30, 2010 and 2009 (unaudited), respectively, and $4.7 million, $5.4 million, and $5.1 million for the years ended December 31, 2009, 2008 and 2007, respectively, is included in rental income. Prepaid rent from Insurance Company of the West of $0.4 million, $0.3 million, and $0.3 million are included in other liabilities and deferred credits as of June 30, 2010 (unaudited), December 31, 2009, and December 31, 2008, respectively.

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

14. SEGMENT REPORTING

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in three business segments: (i) the acquisition, development, redevelopment, ownership and management of office real estate, (ii) the acquisition, development, redevelopment, ownership and management of retail real estate, and (iii) the acquisition, development, redevelopment, ownership and management of multifamily real estate. The products for our office segment primarily include rental of office space and other tenant services, including parking and storage space rental. The products for our retail segment primarily include rental of the retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services.

Asset information by segment is not reported because we do not use this measure to assess performance and make decisions to allocate resources. Therefore, depreciation and amortization expense is not allocated among segments. Interest and other income, general and administrative expenses, interest expense, and depreciation and amortization expense are not included in segment profit as our internal reporting addresses these items on a corporate level.

Segment profit is not a measure of operating income or cash flows from operating activities as measured by GAAP, and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate segment profit in the same manner. We consider segment profit to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of our properties.

The following table represents operating activity within our reportable segments. Results for our office segment have been adjusted for all periods presented to exclude results from our Chicago office property sold during 2008 and classified as discontinued operations (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Total Office*					
Rental revenue	$ 12,886	$ 13,669	$ 26,635	$ 26,556	$ 25,283
Rental expense	(3,612)	(3,417)	(6,764)	(6,743)	(7,017)
Segment profit	9,274	10,252	19,871	19,813	18,266
Total Retail					
Rental revenue	38,242	35,928	75,895	79,763	77,856
Rental expense	(10,000)	(6,706)	(17,191)	(21,178)	(20,138)
Segment profit	28,242	29,222	58,704	58,585	57,718
Total Multifamily					
Rental revenue	7,091	7,346	14,513	14,624	14,369
Rental expense	(2,200)	(2,194)	(4,687)	(4,998)	(5,397)
Segment profit	4,891	5,152	9,826	9,626	8,972
Total segments' profit	$ 42,407	$ 44,626	$ 88,401	$ 88,024	$ 84,956

* Excludes operations of Landmark, as Landmark was accounted for under the equity method of accounting until June 30, 2010.

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
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The following table is a reconciliation of segment profit to net loss attributable to Predecessor (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Total segments' profit	$ 42,407	$ 44,626	$ 88,401	$ 88,024	$ 84,956
General and administrative	(3,408)	(3,756)	(7,058)	(8,690)	(10,471)
Depreciation and amortization	(14,739)	(14,902)	(29,858)	(31,089)	(31,376)
Interest income	31	109	173	1,167	2,462
Interest expense	(21,278)	(21,489)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	1,943	871	1,736	1,538	2,721
Income (loss) from real estate joint ventures	1,407	(2,503)	(4,865)	(19,272)	(7,191)
Results from discontinued operations	—	—	—	554	(2,874)
Net income (loss)	6,363	2,956	5,239	(11,505)	(4,675)
Net income attributable to noncontrolling interests	(899)	(656)	(1,205)	(4,488)	(2,140)
Net income (loss) attributable to predecessor	$ 7,262	$ 3,612	$ 6,444	$ (7,017)	$ (2,535)

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

SCHEDULE III—Combined Real Estate and Accumulated Depreciation
(In thousands)

Description	Encumbrance as of December 31, 2009	Initial Cost		Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2009		Accumulated Depreciation and Amortization	Year Built/ Renovated	Date Acquired	Life on which depreciation in latest income statements is computed
		Land	Building and Improvements		Land	Building and Improvements				
Alamo Quarry Market	$ 99,886	$ 26,396	$ 109,294	4,382	$ 26,396	$ 113,676	$ (22,844)	1997/1999	12/9/2003	35 years
Carmel Country Plaza	10,395	4,200	—	12,285	4,200	12,285	(6,547)	1991	1/10/1989	35 years
Carmel Mountain Plaza	64,195	22,477	65,217	1,091	22,566	66,219	(15,765)	1994	3/28/2003	35 years
Del Monte Center	82,300	27,412	87,570	19,936	27,412	107,506	(22,432)	1967/1984/2006	4/8/2004	35 years
Lomas Santa Fe Plaza	20,097	8,600	11,282	9,416	8,620	20,678	(10,178)	1972/1997	6/12/1995	35 years
Rancho Carmel Plaza	8,156	3,450	—	3,635	3,487	3,598	(2,039)	1993	4/30/1990	35 years
The Shops at Kalakaua	19,000	13,993	10,919	—	13,993	10,919	(1,697)	1971/2006	3/31/2005	35 years
South Bay Marketplace	23,000	4,401	—	11,113	4,401	11,113	(5,980)	1997	9/16/1995	35 years
Waikele Center	140,700	55,593	126,858	54,842	70,210	167,083	(24,923)	1993/2008	9/16/2004	35 years
160 King Street	42,931	15,104	42,578	694	15,104	43,272	(7,307)	2002	5/2/2005	40 years
Torrey Reserve Campus:										
ICW Plaza	43,000	4,095	—	24,155	4,377	23,873	(8,359)	1996-1997	6/6/1989	40 years
North Court	22,392	3,263	—	26,987	6,092	24,158	(9,419)	1997-1998	6/6/1989	40 years
South Court	13,223	3,285	—	25,490	6,275	22,500	(10,604)	1996-1997	6/6/1989	40 years
VC I	1,751	567	—	2,485	997	2,055	(761)	1998	6/6/1989	40 years
VC II	1,455	457	—	2,229	803	1,883	(634)	1998	6/6/1989	40 years
VC III	2,683	389	—	3,713	706	3,396	(1,316)	2000	6/6/1989	40 years
Torrey Daycare	1,687	715	—	2,001	1,247	1,469	(551)	1996-1997	6/6/1989	40 years
Torrey Reserve	—	229	—	2,388	393	2,224	(297)	N/A	6/6/1989	N/A
Valencia Corporate Center	23,723	7,657	—	30,044	7,812	29,889	(11,238)	1999-2007	7/28/1998	40 years
Imperial Beach Gardens	20,000	1,281	4,820	4,309	1,281	9,129	(6,623)	1959/2008-present	7/31/1985	30 years
Loma Palisades	73,744	14,000	16,570	19,311	14,052	35,829	(20,990)	1958/2001-2008	7/20/1990	30 years
Mariner’s Point	7,700	2,744	4,540	587	2,744	5,127	(1,618)	1986	5/9/2001	30 years
Santa Fe Park RV Resort	1,902	401	928	727	401	1,655	(1,281)	1971/ 2007-2008	6/1/1979	30 years
Sorrento Valley Holdings	—	2,073	741	2,413	2,073	3,154	(721)	N/A	5/9/1997	N/A
	$ 723,920	$222,782	$ 481,317	$264,233	$245,642	$ 722,690	$ (194,124)			

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Owners
Novato FF Venture, LLC

We have audited the accompanying balance sheets of Novato FF Venture, LLC (the "Venture") as of December 31, 2009 and 2008, and the related statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Venture's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Venture's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Venture's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Novato FF Venture, LLC at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

Novato FF Venture, LLC

Balance Sheets
(In Thousands)

	As of June 30, 2010 (unaudited)	As of December 31, 2009	2008
Assets			
Real estate, at cost			
Operating real estate	$ 233,821	$291,719	$291,719
Construction in progress	—	1,980	1,267
	233,821	293,699	292,986
Accumulated depreciation	—	(18,227)	(11,297)
Net real estate	233,821	275,472	281,689
Cash and cash equivalents	2,525	1,121	1,047
Accounts receivable, net	12	12	416
Prepaid expenses and other assets	26,731	28,338	31,536
Debt issuance costs, net of accumulated amortization	607	665	781
Total assets	$ 263,696	$305,608	$315,469
Liabilities and equity			
Liabilities:			
Secured note payable	$ 174,011	$175,199	$177,944
Accounts payable and accrued expenses	922	76	614
Other liabilities and deferred credits	14,982	15,791	17,410
Total liabilities	189,915	191,066	195,968
Commitments and contingencies			
Equity	73,781	114,542	119,501
Total liabilities and equity	$ 263,696	$305,608	$315,469

See accompanying notes.

Novato FF Venture, LLC

Statements of Operations
(In Thousands)

	For the six months ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
Revenue:					
Rental income	$ 12,501	$12,441	$ 24,942	$ 24,855	$14,635
Expenses:					
Rental expenses	15	24	63	148	53
Real estate taxes	1,646	1,585	3,231	3,144	1,625
General and administrative	151	144	271	286	183
Depreciation and amortization	4,994	4,994	9,987	9,987	6,293
Impairment loss	38,465	—	—	—	—
Total operating expenses	45,271	6,747	13,552	13,565	8,154
Operating (loss) income	(32,770)	5,694	11,390	11,290	6,481
Interest income	—	3	4	22	182
Interest expense	(5,241)	(5,332)	(10,703)	(10,907)	(6,973)
Net income (loss)	$ (38,011)	$ 365	$ 691	$ 405	$ (310)

See accompanying notes.

Novato FF Venture, LLC

Statements of Equity
(In Thousands)

For the six months ended June 30, 2010 (unaudited) and the years ended December 31, 2009, 2008 and 2007

Equity, December 31, 2006	$ —
Contributions	127,856
Distributions	(2,900)
Net income (loss)	(310)
Equity, December 31, 2007	124,646
Distributions	(5,550)
Net income	405
Equity, December 31, 2008	119,501
Distributions	(5,650)
Net income	691
Equity, December 31, 2009	114,542
Distributions	(2,750)
Net loss	(38,011)
Equity, June 30, 2010 (unaudited)	$ 73,781

See accompanying notes.

Novato FF Venture, LLC

Statements of Cash Flows
(In Thousands)

	For the six months ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
OPERATING ACTIVITIES					
Net (loss) income	$(38,011)	$ 365	$ 691	$ 405	$ (310)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Impairment loss	38,465	—	—	—	—
Depreciation and amortization	4,994	4,994	9,987	9,987	6,293
Amortization of debt issuance costs	58	58	116	116	77
Net accretion of above and below market lease intangibles	(741)	(741)	(1,483)	(1,483)	(934)
Amortization of debt fair market value adjustments	239	239	479	479	302
Changes in operating assets and liabilities					
Decrease (increase) in accounts receivable	—	404	404	(114)	(302)
Decrease (increase) in prepaid expenses and other assets	10	15	5	(14)	(8)
Increase (decrease) in accounts payable and accrued expenses	813	409	(424)	333	116
Increase in other liabilities	—	—	—	100	1,336
Net cash provided by operating activities	5,827	5,743	9,775	9,809	6,570
INVESTING ACTIVITIES					
Acquisition of real estate	—	—	—	—	(127,735)
Capital expenditures	(246)	(583)	(827)	(1,102)	(15)
Net cash used in investing activities	(246)	(583)	(827)	(1,102)	(127,750)
FINANCING ACTIVITIES					
Repayment of secured note payable	(1,427)	(1,351)	(3,224)	(3,020)	(1,892)
Debt issuance costs	—	—	—	—	(974)
Contributions from members	—	—	—	—	127,856
Distributions to members	(2,750)	(2,650)	(5,650)	(5,550)	(2,900)
Net cash (used in) provided by financing activities	(4,177)	(4,001)	(8,874)	(8,570)	122,090
Net increase in cash and cash equivalents	1,404	1,159	74	137	910
Cash and cash equivalents, beginning of period	1,121	1,047	1,047	910	—
Cash and cash equivalents, end of period	$ 2,525	$ 2,206	$ 1,121	$ 1,047	$ 910
Supplemental cash flow information					
Cash paid for interest	$ 4,128	$ 4,204	$10,108	$10,312	$ 6,594
Supplemental schedule of noncash investing and financing activities					
Accounts payable and accrued expenses for property under development	$ 34	$ (141)	$ (114)	$ 165	$ —
Assumption of debt upon acquisition	—	—	—	—	$ 182,076

See accompanying notes.

Novato FF Venture, LLC

Notes to Financial Statements
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

Novato FF Venture, LLC ("we," "our" or "us") is a joint venture between an entity controlled by Ernest Rady with a 25% managing member interest and General Electric Pension Trust ("GEPT") with a 75% member interest. We were formed in May 15, 2007 to acquire the Fireman's Fund Headquarters office building (the "Property") in Novato, California. The entire Property is triple-net leased to Fireman's Fund Insurance Company. Under the lease agreement, Fireman's Fund Insurance Company, as the tenant, is directly responsible for the property operating expenses, except for insurance and interest. Property taxes are our responsibility and billed to the tenant.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as "GAAP," requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Subsequent events have been evaluated through the date the financial statements were issued.

Revenue Recognition and Accounts Receivable

Our lease with the tenant is classified as an operating lease. The lease contains contingent increases based on the consumer price index. Base rents are recognized when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Real estate taxes and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred.

We make estimates of the collectability of our accounts receivable related to rents, expense reimbursements and other revenue. Accounts receivable is carried net of this allowance for doubtful accounts. We generally do not require collateral or other security from our tenants, other than letters of credit or security deposits. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. At June 30, 2010 (unaudited), December 31, 2009 and December 31, 2008, we determined no allowance for doubtful accounts was necessary.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. The estimated useful life is 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

value. In 2009, 2008 and 2007, real estate depreciation expense was $6.9 million, $6.9 million and $4.4 million, respectively. Real estate depreciation expense was $3.5 million for the six months ended June 30, 2010 and 2009.

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles such as in-place leases, and to current assets and liabilities acquired, if any. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of operations. The value of above and below market leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income in the statement of operations. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income and amortization expense.

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance and construction costs. Additionally, we capitalize interest costs related to development and significant redevelopment activities. Capitalization of these costs begin when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use, at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the development or redevelopment is no longer probable of completion, we expense all capitalized costs which are not recoverable.

Impairment of Long Lived Assets

Impairment is recognized on our Property held for use when the expected undiscounted cash flows are less than its carrying amount at which time the Property is written-down to fair value. If the Property becomes held for sale it would be recorded at the lower of the carrying amount or the expected sales price less costs to sell.

As discussed in Note 8, the tenant has a right of first offer to acquire the Property. In anticipation of the potential REIT formation transactions, we, together with GEPT, delivered an offer notice to the tenant in August 2010. The tenant has until September 27, 2010 to respond to the offer. This delivery of the offer notice to the tenant potentially impacts our ability to hold the Property for long term investment. As a result of this potential inability to hold the Property for long term investment, combined with the decline in real estate values since the Property's acquisition, we recorded an impairment loss of $38.5 million during the six months ended June 30, 2010. Based on the significance of unobservable inputs used in estimating the fair value of our Property, we classify this fair value measurement within Level 3 of the valuation hierarchy. (See Note 7 for hierarchy levels).

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity less than three months. Cash balances in individual banks may exceed the federally insured limit of $250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). At June 30, 2010 (unaudited) and December 31, 2009, we had $1.5 million and $0.4 million, respectively, in excess of the FDIC insured limit. At June 30, 2010 (unaudited) and December 31, 2009, we had $0.5 million and $0.5 million, respectively, in money market funds that are not FDIC insured.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, acquired in place leases and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions and fees paid to American Assets, Inc. ("AAI"), an affiliate. Capitalized lease costs are amortized over the life of the related lease and included in depreciation and amortization expense on the statement of operations. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off.

Debt Issuance Costs

Costs related to the issuance of debt instruments are capitalized and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method. If a debt instrument is paid off prior to its original maturity date, the unamortized balance of debt issuance costs are written off to interest expense or, if significant, included in "early extinguishment of debt."

Income Taxes

We are a limited liability company. Under applicable federal and state income tax rules, the allocated share of net income or loss from a limited liability company is reportable in the income tax returns of the respective members.

Effective January 1, 2009, we adopted certain accounting guidance within ASC Topic 740, *Income Taxes* ("ASC 740"), with respect to how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. The guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. We have had no examinations in progress and none are expected at this time. As of December 31, 2009, management has reviewed all open tax years and major jurisdictions and concluded the adoption of the new accounting guidance resulted in no impact to our financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued new accounting requirements, which make the FASB Accounting Standards Codification ("Codification") the single source of authoritative literature for U.S. accounting and reporting standards. The Codification is not meant to change existing GAAP but rather provide a single source for all literature. The standard is effective for all periods ending after September 15, 2009. The standard required our financial statements to reflect Codification or "plain English" references rather than references to FASB Statements, Staff Positions or Emerging Issues Task Force Abstracts. The adoption of this requirement impacted certain disclosures in the financial statement but did not have an impact on our financial position, results of operations, or cash flows.

Recently Adopted Accounting Pronouncements

Effective January 1, 2009, we adopted a new accounting standard that broadens and clarifies the definition of a business, which will result in significantly more of our acquisitions being treated as business

combinations rather than asset acquisitions. The new requirement is effective for business combinations for which the acquisition date is on or after January 1, 2009, and therefore, will only impact prospective acquisitions with no change to the accounting for acquisitions completed prior to or on December 31, 2008. The new standard requires us to expense all acquisition related transaction costs as incurred which could include broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees. For acquisitions prior to January 1, 2009, these costs were capitalized as part of the acquisition cost. While the adoption did not have a material impact on our financial statements for 2009, the impact to our future financial statements will vary significantly depending on the timing and number of acquisitions or potential acquisitions, size of the acquisitions, and location of the acquisitions. The new standard includes several other changes to the accounting for business combinations including requiring contingent consideration to be measured at fair value at acquisition and subsequently remeasured through the income statement if accounted for as a liability as the fair value changes, any adjustments during the purchase price allocation period to be "pushed back" to the acquisition date with prior periods being adjusted for any changes, and the business combination to be accounted for on the acquisition date or the date control is obtained.

Effective January 1, 2009, we adopted a new accounting standard that requires enhanced disclosures about an entity's derivative instruments and hedging activities. The adoption did not have an impact on our financial statements as we currently have no derivative instruments outstanding.

As of April 1, 2009, we adopted a new accounting standard which establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued and requires disclosure of the date through which subsequent events have been evaluated.

In June 2009, the FASB issued a new accounting standard which provides certain changes to the evaluation of a variable interest entity ("VIE") including requiring a qualitative rather than quantitative analysis to determine the primary beneficiary of a VIE, continuous assessments of whether an enterprise is the primary beneficiary of a VIE, and enhanced disclosures about an enterprise's involvement with a VIE. The standard is effective January 1, 2010, and is applicable to all entities in which an enterprise has a variable interest. The adoption of this standard did not have a material impact on our financial statements.

In January 2010, the FASB issued a new accounting standard to improve disclosure over fair value measurements. The new standard amends previously issued guidance and clarifies and provides additional disclosure requirements relating to recurring and non-recurring fair value measurements. This standard became effective for us on January 1, 2010. The adoption of the standard did not have a material impact on our financial statements.

Unaudited interim information

The financial statements as of June 30, 2010 and for the six months ended June 30, 2010 and 2009 are unaudited. In the opinion of management, such financial statements reflect all adjustments necessary for a fair presentation of the respective interim periods. All such adjustments are of a normal recurring nature.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 2. REAL ESTATE PROPERTY

A summary of our real estate property and related encumbrance is as follows (In thousands):

	June 30, 2010	December 31, 2009	December 31, 2008
Land	$ 34,628	$ 43,203	$ 43,203
Building and improvements	199,193	250,496	249,783
	233,821	293,699	292,986
Accumulated depreciation	—	(18,227)	(11,297)
	$233,821	$ 275,472	$ 281,689
Encumbrance	$176,542(1)	$ 177,970(1)	$ 181,193(1)

(1) Balances do not agree to the balance sheet due to an unamortized fair value adjustment.

On May 15, 2007, we acquired our Property located in Novato, California, known as Fireman's Fund Headquarters. The aggregate net acquisition cost for the Property approximated $313.8 million, including assumption of $186.1 million in debt. We estimated the fair values with the assistance of a third party appraisal firm. The fair values assigned to identifiable intangible assets acquired were based on estimates and assumptions determined by management. Using information available at the time the acquisition closed, we allocated the purchase price to tangible assets and liabilities and identified intangible assets and liabilities. The identified intangible assets and liabilities are being amortized over a weighted average life of 11.5 years.

The allocation of the estimated fair value of this acquired asset and liabilities was as follows:

Land	$ 43,203
Building	234,933
Land improvements	6,089
Tenant improvements	7,478
Total Real Estate	291,703
Prepaid expenses and other assets	36,719
Total assets	$ 328,422
Secured note payable	182,076
Other liabilities and deferred credits	18,612
Total liabilities	$ 200,688

We allocated $31.9 million, $1.6 million, and $3.2 million to acquired in-place leases, acquired above market leases, and lease commissions and other intangible assets, respectively, which are included in prepaid expenses and other assets above. We allocated $18.6 million to acquired below market leases liability, which is included in other liabilities and deferred credits above. We further recorded a $4.0 million adjustment to record the assumed debt at fair value, which is included in secured note payable above. The adjustment is being amortized to interest expense over the life of the related debt.

There were no dispositions in 2009, 2008 and 2007 or 2010 to date.

As discussed in Note 8, the tenant has a right of first offer to acquire the Property. In anticipation of the potential REIT formation transactions, we, together with GEPT, delivered an offer notice to the tenant in August 2010.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

The tenant has until September 27, 2010 to respond to the offer. This delivery of the offer notice to the tenant potentially impacts our ability to hold the Property for long term investment. As a result of this potential inability to hold the Property for long term investment, combined with the decline in real estate values since the Property's acquisition, we recorded an impairment loss of $38.5 million during the six months ended June 30, 2010. Based on the significance of unobservable inputs used in estimating the fair value of our Property, we classify this fair value measurement within Level 3 of the valuation hierarchy. (See Note 7 for hierarchy levels).

NOTE 3. ACQUIRED IN-PLACE LEASES AND ABOVE/BELOW-MARKET LEASES

Acquired in-place leases are included in prepaid expenses and other assets and had a balance of $31.9 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively and accumulated amortization of $8.7 million (unaudited), $7.3 million and $4.5 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired above market leases are included in prepaid expenses and other assets and had a balance of $1.6 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively and accumulated amortization of $0.4 million (unaudited), $0.4 million and $0.2 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired below market leases are included in other liabilities and deferred credits and had a balance of $18.6 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively and accumulated amortization of $5.1 million (unaudited), $4.3 million and $2.6 million at June 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. The value allocated to in-place leases is amortized over the related lease term as depreciation and amortization expense in the statement of operations. Above and below market leases are amortized over the related lease term as additional rental income for below market leases or a reduction of rental income for above market leases in the statement of operations. Rental income included net amortization from acquired above and below market leases of $1.5 million, $1.5 million and $0.9 million in 2009, 2008 and 2007, respectively and $0.7 million for the six months ended June 30, 2010 and 2009 (unaudited). The remaining weighted-average amortization period as of December 31, 2009, is 8.9 years for in-place leases, above-market leases and below-market leases.

Increases (decreases) in net income as a result of amortization of the in-place leases, above-market leases and below-market leases are as follows (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Amortization of in-place leases	$(1,385)	$(1,385)	$(2,770)	$(2,770)	$(1,745)
Amortization of above market leases	(68)	(68)	(135)	(135)	(85)
Amortization of below market leases	809	809	1,618	1,618	1,019
	$ (644)	$ (644)	$(1,287)	$(1,287)	$ (811)

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

As of December 31, 2010, the amortization for acquired in-place leases during the next five years and thereafter, assuming no early lease terminations, is as follows (In thousands):

	In Place Leases	Above Market Leases	Below Market Leases
Year ending December 31,			
2010	$ 2,770	$ 135	$ 1,618
2011	2,770	135	1,618
2012	2,770	135	1,618
2013	2,770	135	1,618
2014	2,770	135	1,618
Thereafter	10,718	526	6,265
	$24,568	$ 1,201	$ 14,355

NOTE 4. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of (In thousands):

	June 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
Leasing commissions, net of accumulated amortization of $898, $755 and $468, respectively	$ 2,402	$ 2,545	$ 2,833
Acquired above market leases, net	1,134	1,201	1,337
Acquired in place leases, net	23,183	24,568	27,337
Other intangible assets, net of accumulated amortization of $2, $2 and $1, respectively	6	6	7
Prepaid expenses and deposits	6	18	22
Total prepaid expenses and other assets	$ 26,731	$ 28,338	$ 31,536

NOTE 5. OTHER LIABILITIES AND DEFERRED CREDITS

Other liabilities and deferred credits consist of the following as of (In thousands):

	June 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
Acquired below market leases, net	$ 13,546	$ 14,355	$ 15,974
Prepaid rent	1,436	1,436	1,436
Total other liabilities and deferred credits	$ 14,982	$ 15,791	$ 17,410

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 6. SECURED NOTE PAYABLE

The following is a summary of our secured note payable outstanding as of June 30, 2010 (unaudited), December 31, 2009 and December 31, 2008 (In thousands):

	Balance as of				
	June 30, 2010 (unaudited)	December 31, 2009	December 31, 2008	Stated Interest Rate as of June 30, 2010	Stated Maturity Date
Secured Note	$ 176,542	$177,970	$181,193	5.548%	October 1, 2015[1]
Unamortized fair value adjustment	(2,531)	(2,771)	(3,249)		
	$ 174,011	$175,199	$177,944		

(1) Anticipated maturity date is October 1, 2015, which is the date that if the loan is not paid the interest rate increases to 10.548%. Extended maturity date is October 15, 2018.

Scheduled principal payments as of December 31, 2009 are as follows (In thousands):

	Total Principal
Year Ending December 31,	
2010	$ 3,134
2011	3,590
2012	3,770
2013	4,015
2014	4,246
Thereafter	159,215
	177,970
Unamortized fair value adjustment	(2,771)
	$ 175,199

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability. The hierarchies for inputs used in measuring fair value are as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities

2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities

3. Level 3 Inputs—unobservable inputs

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. The fair value of our note payable is sensitive to fluctuations in interest rates. Discounted cash flow

analysis (Level 2) is generally used to estimate the fair value of our note payable. Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the carrying amount and fair value of our note payable is as follows (In thousands):

	June 30, 2010		December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Note payable	$ 174,011	$ 176,542	$ 175,199	$ 174,445	$ 177,944	$ 177,809

NOTE 8. COMMITMENTS AND CONTINGENCIES

Legal

We are sometimes involved in lawsuits, warranty claims and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of any legal matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our lease, the tenant is obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us as owner of the property due to certain matters relating to the operation of the property by the tenant.

Concentrations of Credit Risk

Fireman's Fund Insurance Company is the only tenant in the Fireman's Fund Headquarters building. The audited financial statements of Fireman's Fund Insurance Company, presented on a statutory basis, are available to the public on the company's website. Our lease with Fireman's Fund Insurance Company expires in November 2018.

Tenant Right of First Offer

Pursuant to the terms of our lease agreement, the tenant, Fireman's Fund Insurance Company, has a right of first offer to purchase the Property if we propose to sell all or a portion of the Property. In the event that we choose to dispose of this Property, we would be required to notify Fireman's Fund Insurance Company, prior to offering this Property to any other potential buyer, of the price at which we would be willing to sell the Property and Fireman's Fund Insurance Company would have the right, within 30 days of receiving such notice, to agree to purchase the Property at that price. The existence of this right of first offer could adversely impact our ability to obtain the highest possible price for this Property during the term of the lease as we would not be able to offer this Property to potential purchasers through a competitive bid process or in a similar manner designed to maximize the value obtained for the Property without first offering to sell this Property to Fireman's Fund Insurance Company. As part of an anticipated REIT formation transaction we delivered an offer notice to the tenant on August 27, 2010. If the tenant accepts the offer, it would be binding, and we could be forced to sell the Property to the tenant.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 9. OPERATING LEASES

Our lease with Fireman's Fund Insurance Company is classified as an operating lease.

As of December 31, 2009, minimum future rents from Fireman's Fund Insurance Company's noncancelable operating lease, before any reserve for uncollectible amounts and assuming no early lease termination, is as follows (In thousands):

2010	$ 20,228
2011	20,228
2012	20,228
2013	20,228
2014	20,228
Thereafter	77,877
Total	$ 179,017

NOTE 10. COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Minimum rents	$ 10,855	$ 10,855	$21,711	$21,711	$13,010
Cost reimbursement	1,646	1,586	3,231	3,144	1,625
Total rental income	$ 12,501	$ 12,441	$24,942	$24,855	$14,635

Minimum rents include $1.5 million, $1.5 million and $0.9 million for 2009, 2008 and 2007, respectively, and $0.7 million for the six months ended June 30, 2010 and 2009 (unaudited) to recognize income from the amortization of above and below market leases.

NOTE 11. RELATED PARTY TRANSACTIONS

Our property is managed by the property management business of AAI, an affiliate. The on-site property management of the Property is performed by the tenant. These agreements provide for the following fees to be paid to AAI:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the property. Fees are 1.25% of gross monthly cash collections each month. Property management fees are included general and administrative expenses on the statement of operations.

- *Acquisition Fees*—Acquisition fees are incurred for services provided in conjunction with acquisition of the property. Fees were $1.56 million at acquisition and were capitalized to the related real estate asset.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
June 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

The AAI fees incurred are as follows (In thousands):

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Property management fees	$ 126	$ 126	$253	$256	$ 148
Acquisition fees	—	—	—	—	1,560
	$ 126	$ 126	$253	$256	$1,708

Fees payable to AAI of $0.02 million, $0.02 million, and $0.02 million are included in accounts payable and accrued expenses as of June 30, 2010 (unaudited), December 31, 2009, and December 31, 2008, respectively.

ABW Lewers LLC

Consolidated Financial Statements

ABW Lewers LLC

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Report of Independent Auditors

To the Members of
ABW Lewers LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and members' deficiency, and cash flows present fairly, in all material respects, the financial position of ABW Lewers LLC and its subsidiaries (the "Company") at December 31, 2009 and 2008 and the results of their operations and their cash flows in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The interim financial information for the six-month periods ended June 30, 2010 and 2009 has not been subjected to auditing procedures and accordingly, we express no opinion on it.

/s/ ACCUITY LLP

Honolulu, Hawaii
March 31, 2010

ABW Lewers LLC

Consolidated Balance Sheets
June 30, 2010 (Unaudited) and December 31, 2009 and 2008
(All Dollars in Thousands)

	June 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Assets			
Current assets			
Cash	$ 4,222	$ 3,961	$ 2,408
Restricted cash	674	655	416
Investment securities available-for-sale	1,000	900	1,400
Receivables, net	288	461	743
Receivables from affiliates, net	21	—	—
Prepaid expenses	79	1	188
Total current assets	6,284	5,978	5,155
Property and equipment, net	91,037	94,131	100,236
Deferred loan and lease costs, net of accumulated amortization of $2,075 at June 30, 2010, $1,756 at December 31, 2009 and $1,162 at December 31, 2008	3,692	4,009	4,712
Investment in equity method investee	2,991	3,044	3,030
Restricted cash and certificate of deposit	365	357	530
Noncurrent receivables, net	25	101	110
Deferred rent receivable	2,058	2,001	1,751
Total assets	$ 106,452	$ 109,621	$ 115,524
Liabilities and Members' Deficiency			
Current liabilities			
Accounts payable and accrued expenses	$ 348	$ 412	$ 493
Deferred revenue	249	341	329
Payable to affiliates, net	—	156	467
Current portion of notes payable	251	245	232
Total current liabilities	848	1,154	1,521
Deferred rent payable	228	210	153
Security deposits	849	878	957
Notes payable	145,491	145,619	145,864
Total liabilities	147,416	147,861	148,495
Members' deficiency	(40,964)	(38,240)	(32,971)
Total liabilities and members' deficiency	$ 106,452	$ 109,621	$ 115,524

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

ABW Lewers LLC

Consolidated Statements of Operations and Members' Deficiency
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Six-Month Periods Ended June 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Revenue					
Rental	$ 4,667	$ 4,925	$ 9,667	$ 10,887	$ 8,907
Common area recoveries	1,123	1,190	2,409	2,334	1,567
Other tenant recoveries	526	501	1,018	1,277	960
Parking	1,050	1,085	2,166	1,936	1,544
Other	41	24	52	116	82
Total revenues	7,407	7,725	15,312	16,550	13,060
Operating expenses					
Common area expenses	1,208	1,248	2,495	2,472	1,978
Other tenant expenses	577	543	1,111	1,358	1,033
Parking expense	591	567	1,146	990	803
Landlord expense	40	37	89	111	145
Depreciation expense	3,094	3,084	6,208	6,153	5,683
Other	447	672	1,111	1,367	663
Total operating expenses	5,957	6,151	12,160	12,451	10,305
Operating income	1,450	1,574	3,152	4,099	2,755
Other income (expense)					
Interest income	3	10	15	11	17
Interest expense	(4,124)	(4,130)	(8,315)	(8,262)	(7,908)
Equity in net loss of uncombined affiliate	(53)	(53)	(106)	(110)	(107)
Net other expense	(4,174)	(4,173)	(8,406)	(8,361)	(7,998)
Net loss	(2,724)	(2,599)	(5,254)	(4,262)	(5,243)
Members' deficiency					
Beginning of period/year	(38,240)	(32,971)	(32,971)	(12,388)	66,077
Member contributions	—	—	—	—	49,692
Member distributions	—	—	(15)	(16,321)	(122,914)
End of period/year	$ (40,964)	$ (35,570)	$ (38,240)	$ (32,971)	$ (12,388)

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

ABW Lewers LLC

Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Six-Month Periods Ended June 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Cash flows from operating activities					
Net loss	$(2,724)	$(2,599)	$(5,254)	$(4,262)	$ (5,243)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Depreciation	3,094	3,084	6,208	6,153	5,683
Amortization of deferred loan and leasing fees	319	322	661	631	512
Write-off of deferred loan fees	—	—	—	—	271
Write-off of deferred leasing fees	—	27	70	86	—
Equity in net loss of uncombined affiliate	53	53	106	110	107
Straight-line effect on rent expense	18	28	57	76	77
Straight-line effect on rental income	(57)	(220)	(250)	(531)	(1,085)
Bad debt expense	104	338	425	673	93
Changes in					
Receivables	145	(208)	(134)	(693)	(541)
Prepaid expenses	(78)	103	187	6	(194)
Accrued leasing fees	(2)	(32)	(28)	(115)	(989)
Accounts payable and accrued expenses	36	147	46	(176)	(68)
Deferred revenue	(92)	73	12	109	170
Payable to affiliates, net	(177)	90	(48)	(196)	580
Security deposits	(29)	(60)	(79)	10	136
Net cash provided by (used in) operating activities	610	1,146	1,979	1,881	(491)
Cash flows from investing activities					
Capital expenditures	(100)	(239)	(230)	(1,132)	(29,841)
Proceeds from sales of investment securities	—	100	1,000	—	—
Purchase of investment securities and certificate of deposit	(100)	—	(500)	(1,400)	—
Change in restricted cash	(27)	65	(66)	34	560
Construction costs recovered from affiliates	—	—	—	—	48,663
Investment in affiliate	—	—	—	—	(194)
Net cash provided by (used in) investing activities	(227)	(74)	204	(2,498)	19,188

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

ABW Lewers LLC

Consolidated Statements of Cash Flows
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Six-Month Periods Ended June 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Cash flows from financing activities					
Member contributions	—	—	—	—	49,692
Member distributions	—	—	(398)	(16,622)	(122,190)
Loan costs paid	—	—	—	(89)	(3,390)
Repayments of note payable	(122)	(116)	(232)	(214)	(90,937)
Proceeds from note payable	—	—	—	16,000	150,000
Net cash used in financing activities	(122)	(116)	(630)	(925)	(16,825)
Net increase (decrease) in cash	261	956	1,553	(1,542)	1,872
Cash					
Beginning of period/year	3,961	2,408	2,408	3,950	2,078
End of period/year	$4,222	$3,364	$3,961	$ 2,408	$ 3,950
Supplemental cash flow information					
Interest paid	$3,946	$3,953	$7,960	$ 7,909	$ 7,355
Noncash investing and financing activities					
Capital contributions payable to equity method investee	$ —	$ —	$ 110	$ —	$ —
Accrued member distribution	31	423	31	423	724

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

ABW Lewers LLC

Notes to Consolidated Financial Statements
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

1. Operations and Ownership

ABW Lewers LLC, a Hawaii limited liability company (the "Company"), was formed on October 11, 2005 pursuant to an operating agreement (the "Agreement") between Beach Walk Holdings, LP, which holds an 80% membership interest, and WBW Retail LLC ("WBW"), which holds a 20% membership interest. Under the terms of the operating agreement WBW agreed to develop and guarantee lien-free completion of a retail and entertainment center known as Waikiki Beach Walk (the "Center"). Construction of the Center was completed and operations commenced in December of 2006. As a limited liability company, the owners' liability is limited to the amount of their investment in the Company.

The Center, consisting of 96,569 leasable square feet of retail, restaurant and storage space and 377 parking stalls for public and valet parking is owned by two subsidiaries, ABW Holdings LLC and ABW 2181 Holdings LLC. At June 30, 2010, the Center was 96.5% leased and occupied.

The Center is managed and operated by Retail Resort Properties LLC ("RRP"), a limited liability company wholly owned by Outrigger Hotels Hawaii ("OHH"), pursuant to the provisions of a management agreement. OHH is indirectly affiliated with WBW.

The Company incurred a net loss of $2,724, with net cash provided by operating activities of $610 for the six-month period ended June 30, 2010. As of June 30, 2010, the Company had a members' deficiency of $40,964, which resulted from approximately $139,000 in member distributions made in connection with the long-term mortgage financing in 2008 and 2007. Although the Company had liabilities in excess of assets at June 30, 2010, management believes that the Company will be able to meet current obligations and debt service requirements with future cash flows from operations and cash balances on hand.

2. Summary of Significant Accounting Policies

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements of the Company include all adjustments necessary to present fairly its financial position as of June 30, 2010 and December 31, 2009 and 2008 and the results of operations and members' deficiency and cash flows for the six-month period ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008, and 2007. The results of operations for the period ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year or for any future period.

Principles of Consolidation

The consolidated financial statements of the Company include two wholly-owned single-purpose subsidiaries, ABW Holdings LLC ("ABWH") and ABW 2181 Holdings LLC ("ABW 2181"). These two entities own the Center and all other operating assets of the Company. The consolidated financial statements include the accounts and transactions of these subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions for the reporting period and as of the financial

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
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statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Certificate of Deposit

At June 30, 2010 and December 31, 2009 and 2008, restricted cash consisted of reserves held by the ABWH mortgage lender for current real estate and property taxes and insurance of $674, $655 and $416, respectively. At June 30, 2010 and December 31, 2009 and 2008, the lender held noncurrent reserves for tenant improvement allowances that amounted to $54, $47 and $220. The balances at June 30, 2010 and December 31, 2009 represents the Company's funding of a tenant improvement allowance reserve as required by the terms of the loan agreement. The balance at December 31, 2008 represented tenant allowances that were subsequently paid to tenants during 2009 after required reimbursement documentation was submitted to the Company. The lender also held $10 in noncurrent reserves for the replacement of property and equipment.

As of February 2008, the Company was also required to maintain a $300 certificate of deposit with the ABW 2181 mortgage loan lender, which is reflected in noncurrent restricted cash at June 30, 2010 and December 31, 2009 and 2008.

The Company received funding from one of the Parent's members for the completion of certain construction in connection with the retail portion on the Waikiki Beach Walk project. The Company used the funds provided to pay the remaining construction costs and distributed substantially all of the remaining amounts to the contributing member during 2009. At June 30, 2010, the Company estimates that approximately $31 is due to one of the Parent's members.

Receivables and Allowance for Doubtful Accounts

Receivables are initially recorded at the amount invoiced or otherwise due and normally do not bear interest. The Company maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of individual customer accounts as well as the overall aging of accounts, historical collection experience and current economic and business conditions. Generally, accounts past due by more than 30 days are considered delinquent. However, delinquent accounts are not written off until, in the judgment of management, they are deemed uncollectible based on an evaluation of the specific circumstances of each customer.

The allowance for doubtful accounts represents management's best estimate of potential uncollectible receivables. However, because of the uncertainties inherent in assessing the collectibility of receivables, it is at least reasonably possible that there will be near-term changes in management's estimate due to actual losses and other factors.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
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Deferred Loan and Lease Costs

Loan fees and origination costs associated with the Company's debt are deferred and amortized using the straight-line method over the term of the debt agreement, which approximates the effective interest method. These amounts are recorded as interest expense in the consolidated financial statements. The initial direct costs of leases, such as legal fees and leasing commissions are deferred and amortized using the straight-line method over the term of the lease agreements. These amounts are recorded as a reduction of rental income in the consolidated financial statements. Amortization expense for the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007 approximated $319, $322, $661, $631 and $512, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense and betterments and replacements are capitalized. Property retired or otherwise disposed of is removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on sales of assets are reflected in current operations.

Depreciation is calculated using the straight-line method based upon the shorter of the asset life or lease term using the following useful lives:

Building and improvements	15 – 39 years
Tenant improvements	Lease term
Furniture, fixtures and equipment	5 years

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of impairment is based on the estimated future net cash flows from operating activities compared with the carrying value of the asset. If the future net cash flows of an asset are less than the carrying value, a write-down is recorded and measured by the amount of the difference between the carrying value of the asset and the fair value of the asset. No impairment losses were recognized in 2010, 2009, 2008 or 2007.

Changes in estimates, based on market conditions and various other factors, may impact the future recoverability of the carrying value.

Investments

Investments in marketable debt securities are classified as available-for-sale and are reported at fair value based on quoted market prices. Realized gains and losses from the sale of investments available-for-sale are determined using the specific identification method.

Investments in minority-owned entities where the Company has the ability to significantly influence the operations of the investee are accounted for using the equity method of accounting. Equity method accounting is discontinued when an investee's accumulated losses equals or exceeds the Company's investment and the Company has no obligation to provide further financial support to the investee.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Revenue Recognition

The Company's operating revenue is derived principally from operating leases with retail and restaurant tenants including base minimum rents, percentage rents based on tenants' sales volume, recoveries of substantially all recoverable expenditures, and rents collected from transient patrons of the Center's parking stalls.

Substantially all tenants in the Center are required to pay percentage rents based on sales in excess of agreed levels during the lease year. The Company recognizes percentage rent only when each tenant's sales exceed a negotiated sales threshold.

The Company structures its leases in such a manner as to enable the Company to recover a significant portion of the property's operating, real estate, repairs and maintenance, and advertising and promotion expenses from the tenants. Property operation expenses typically include utilities, insurance, security, janitorial, landscaping, and administrative expenses. Revenues from tenants for recoverable portions of these expenses are recognized in the period the applicable expenditures are incurred.

The Company recognizes rental revenue from leases with scheduled rent escalations on a straight-line basis over the lease term. The difference between rental revenue recognized for financial statement purposes and the actual rent received approximated $2,058, $2,001, and $1,751 at June 30, 2010 and December 31, 2009 and 2008, respectively.

The Company reports revenues net of general excise taxes collected from or passed on to tenants.

Rental Expense

The Company recognizes its long-term land sublease, which contains scheduled rent escalations on a straight-line basis over the sublease term. The difference between rental expense recognized for financial statement purposes and the actual rent paid or currently due is reported as noncurrent deferred rent payable and approximated $228, $210, and $153 at June 30, 2010 and December 31, 2009 and 2008, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007 approximated $174, $179, $348, $374 and $280, respectively. Substantially all advertising costs were funded through tenant contributions as required by the provisions of the lease agreements.

Income Taxes

The Company is considered to be a flow through entity for federal and state income tax purposes. Income or loss for tax purposes accrues to the members and accordingly, no provision or credit for income taxes is reflected in the consolidated financial statements.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
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Concentrations of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash, the restricted certificate of deposit, and receivables.

All of the Company's cash, with the exception of the restricted cash held by the ABWH lender's servicer, and the certificate of deposit are held with financial institutions in the State of Hawaii. At times, balances are in excess of depository insurance limits, however, the Company does not believe that this concentration of credit risk represents a material risk of loss with respect to its financial position.

The Company extends credit to customers in the normal course of business. To control credit risk, the Company performs ongoing credit evaluations and normally requires security in the form of cash deposits.

The Company's operations are primarily dependent on Hawaii's tourism industry. A significant portion of the Center's business is derived from tourists from the mainland United States and Japan.

Fair Value Measurements

For financial and nonfinancial assets and liabilities reported at fair value, the Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. The Company measures fair value using observable and unobservable inputs based on the following hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2:** Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3:** Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Segment Information

The Company has two reportable segments, the rental segment and parking segment, which are organized on the basis of revenues and assets. The rental segment primarily derives its revenues from operating leases with retail and restaurant tenants. The parking segment derives its revenues from rents collected from transient users of the Center's parking spaces. The performance of each segment is evaluated on the basis of operating income. The following is a summary of each reportable segment's operating income and the segment's assets as of and for the years ended December 31, 2009, 2008, and 2007:

	Year Ended December 31, 2009		
	Rental	Parking	Total
Revenues	$ 13,146	$2,166	$ 15,312
Operating income	2,442	710	3,152
Depreciation expense	5,898	310	6,208
Segment assets	104,914	4,707	109,621
Expenditures for property and equipment	103	—	103

	Year Ended December 31, 2008		
	Rental	Parking	Total
Revenues	$ 14,614	$1,936	$ 16,550
Operating income	3,461	638	4,099
Depreciation expense	5,845	308	6,153
Segment assets	110,512	5,012	115,524
Expenditures for property and equipment	850	—	850

	Year Ended December 31, 2007		
	Rental	Parking	Total
Revenues	$ 11,516	$1,544	$ 13,060
Operating income	2,298	457	2,755
Depreciation expense	5,399	284	5,683
Segment assets	115,804	5,277	121,081
Expenditures for property and equipment	29,841	—	29,841

3. Receivables

Current receivables consisted of the following:

	June 30, 2010	December 31,	
	(Unaudited)	2009	2008
Trade receivables	$ 650	$720	$1,086
Notes receivable	175	182	—
Other receivables	88	60	83
	913	962	1,169
Less: Allowance for doubtful accounts	625	501	426
	$ 288	$461	$ 743

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

At June 30, 2010 and December 31, 2009 and 2008, noncurrent notes receivable amounted to $25, $101 and $110, net of an allowance for doubtful accounts of $255, $267 and $75, respectively.

4. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Land	$ 22,447	$ 22,447	$ 22,447
Building and improvements	75,123	75,123	75,098
Furniture, fixtures and equipment	14,773	14,773	14,767
	112,343	112,343	112,312
Less: Accumulated depreciation	(21,306)	(18,212)	(12,076)
	$ 91,037	$ 94,131	$100,236

5. Investments

At June 30, 2010 and December 31, 2009 and 2008, the cost and fair values of investment securities available-for-sale (municipal obligations) were $1,000, $900 and $1,400, respectively. These securities are classified as Level 2 (significant other observable inputs) under the fair value hierarchy as the fair value of the securities are estimated by extrapolated data and proprietary pricing models that use observable inputs, such as prices in active markets. There were no realized gains (losses) or unrealized holding gains (losses) associated with the securities during 2010, 2009 or 2008.

The Company has an 18.55% interest in WBW CHP LLC (“WBW CHP”), an entity that was formed to construct a chill water plant to provide air conditioning to the Center and other adjacent facilities. As of June 30, 2010 and December 31, 2009, and 2008, the Company’s investment in the uncombined affiliate approximated $2,991, $3,044, and $3,030, respectively. The operating expenses of WBW CHP, other than depreciation, are recovered through reimbursements from its members.

Condensed financial information of the investment is as follows:

	Six-Month Period Ended June 30, 2010 (Unaudited)	Years Ended December 31, 2009	Years Ended December 31, 2008
Assets	$ 16,303	$16,507	$16,837
Liabilities	176	95	502
	$ 16,127	$16,412	$16,335
Revenue	$ —	$ —	$ —
Expenses	285	569	590
	$ (285)	$ (569)	$ (590)

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

6. Notes Payable

Long-term debt consisted of the following:

	June 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Mortgage note payable in monthly interest-only payments at 5.387%. Outstanding principal and interest is due in July 2017. The loan is collateralized by all assets of ABWH and its operations.	$ 130,310	$ 130,310	$ 130,310
Mortgage note payable in monthly installments of principal and interest of $90 with an interest rate of 5.375%, based on a 30-year amortization. Outstanding principal and interest is due in February 2013. The loan is collateralized by all assets of ABW 2181 and its operations.	15,432	15,554	15,786
Total long-term debt	145,742	145,864	146,096
Current portion	251	245	232
Noncurrent portion	$ 145,491	$ 145,619	$ 145,864

In February 2007, the Company entered into a 10-year $150,000 mortgage loan agreement with a financial institution. The mortgage loan, which matures in July 2017, requires monthly interest-only payments at 5.387%. The mortgage is collateralized by all of the assets and operations of the Company. In October 2007, the principal balance of the mortgage loan was reduced to $130,310 through a prepayment without penalty. The mortgage loan proceeds were used to repay a construction loan and pay $123,000 in distributions to the Parent's members.

The mortgage loan agreement requires that ABWH maintain a minimum quarterly debt coverage ratio of 1.10:1, as defined. Should ABWH not meet the minimum debt coverage ratio, ABWH must deposit all cash receipts from operations into a restricted trust account controlled by the lender and the funds will be used to fund debt service payments and pay operating expenses pursuant to the approved annual operating budget. Any residual funds remaining in the account after the foregoing disbursements are then distributed to ABWH. The restriction can be removed when the debt service coverage exceeds 1.15:1 for three consecutive calendar months on a trailing 12-month basis. ABWH was in compliance with all debt covenants as of June 30, 2010 and December 31, 2009 and 2008.

In February 2008, the Company, through ABW 2181, entered into a $16,000 mortgage loan agreement with a financial institution. The mortgage loan agreement has a five-year term, with two one-year extension options. The Company is required to comply with various annual debt covenants, including maintenance of a minimum annual debt coverage ratio of 1.20:1, as defined. The Company was in compliance with all debt covenants as of December 31, 2009 and 2008. Management distributed substantially all of the loan proceeds to the members during 2008.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Maturities of notes payable subsequent to June 30, 2010 are as follows:

Years ending December 31,	
2010 (remainder of year)	$ 123
2011	259
2012	273
2013	14,777
2014	—
Thereafter	130,310
	$ 145,742

7. Lease Arrangements

As Lessor

The Company leases retail and restaurant space under noncancelable agreements that expire at various dates through 2022. Total rental income recognized was as follows:

	(Unaudited) Six-Month Periods Ended June 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Base rent	$4,499	$4,648	$9,049	$ 9,915	$7,710
Straight-line effect	57	220	250	531	1,085
Percentage and other	111	57	368	441	112
	$4,667	$4,925	$9,667	$10,887	$8,907

Future minimum lease rental income subsequent to June 30, 2010 is summarized below:

Years ending December 31,	
2010 (remainder of year)	$ 4,819
2011	9,580
2012	9,197
2013	8,261
2014	7,464
Thereafter	21,147
	$ 60,468

As Lessee

The Company has an agreement to sublease the land underlying a portion of the Center under a noncancelable lease agreement expiring in December 2021. The sublease agreement provides for the Company to pay monthly base rent of $47 through February 2009. Thereafter, the base rent increases annually by approximately 3.4% for the next eight successive one-year periods. For the remaining period through December

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

2021, base rent shall equal Fair Rental Value, as defined in the sublease agreement. The sublease agreement also provides for additional rent charges for landscaping and property taxes. Additionally, the Company has the option to extend the term of the sublease should the Lessor and Sublessor agree to extend the term of the master lease beyond December 31, 2021 such that the termination dates of the master lease and sublease shall be the same.

Total rent expense was as follows:

	(Unaudited) Six-Month Periods Ended June 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Base rent	$ 302	$ 290	$584	$565	$458
Common area and other charges	20	15	42	42	36
Straight-line effect	18	28	57	76	77
	$ 340	$ 333	$683	$683	$571

Future minimum lease payments subsequent to June 30, 2010 are summarized below:

Years ending December 31,	
2010 (remainder of year)	$ 302
2011	624
2012	645
2013	667
2014	689
Thereafter	1,572
	$4,499

8. Related Party Transactions

Amounts receivable (payable) to affiliates consisted of the following:

	June 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Receivable from Waikiki Beach Walk – Hotel, an affiliate of OHH, for reimbursable common operating costs	$ 164	$ 116	$ 76
Receivable from OHH for construction costs	—	—	316
Payable to Member for construction and reimbursable costs	(40)	(40)	(438)
Payable to OHH for reimbursable costs	(18)	(36)	(156)
Payable to WBW CHP for reimbursable costs and capital contributions	(53)	(162)	(237)
Payable to RRP for management fees	(32)	(34)	(28)
	$ 21	$(156)	$(467)

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

The Company entered into an amended management agreement (the "Management Agreement") with RRP to provide management services to the Center. The Management Agreement entitled RRP to management fees of 3% of net revenues, as defined. Management fees paid to RRP for the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007 approximated $184, $187, $377, $401 and $307, respectively.

9. Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments:

- **Cash, restricted cash and certificate of deposit, receivables and payables, receivables and payables to affiliates:** At June 30, 2010 and December 31, 2009 and 2008, the Company believes that the carrying amounts of cash, restricted cash and certificate of deposit, trade receivables and payables, and receivables and payables to affiliates approximate fair value due to the short-term nature of these financial instruments.

- **Investment securities:** The fair value of investment securities is based upon market prices with observable inputs.

- **Notes payable:** At June 30, 2010 and December 31, 2009 and 2008, the Company believes that it is not practicable to estimate the fair value of the ABWH note payable as a loan with similar terms is no longer available in the current credit market. The fair value of the ABW 2181 note payable outstanding at June 30, 2010 and December 31, 2009 and 2008 was estimated using a discounted cash flow analysis, which utilizes interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

	Carrying Amount	Fair Value
June 30, 2010 (Unaudited)		
ABWH note payable	$ 130,310	N/A
ABW 2181 note payable	15,432	$ 15,491
December 31, 2009		
ABWH note payable	$ 130,310	N/A
ABW 2181 note payable	15,554	$ 15,622
December 31, 2008		
ABWH note payable	$ 130,310	N/A
ABW 2181 note payable	15,786	$ 15,733

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Financial Statements

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

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Report of Independent Auditors

To the Tenants-In-Common of
Waikiki Beach Walk—Hotel

We have audited the accompanying combined statements of assets, liabilities and equity of the Waikiki Beach Walk—Hotel (the "Hotel") at December 31, 2009 and 2008 and the related combined statements of revenues, expenses and changes in equity, and cash flows for the three-year period ended December 31, 2009. These combined financial statements are the responsibility of the Hotel's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying combined financial statements were prepared for the purpose of presenting the Hotel's ownership and operations to the tenant-in-common owners as discussed in Note 1.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the assets, liabilities and equity of the Waikiki Beach Walk—Hotel at December 31, 2009 and 2008 and its revenues, expenses and changes in equity, and its cash flows in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the Hotel revised its 2007 financial statements to retroactively apply a change in its interpretation of the tenant-in-common agreement, which resulted in a reclassification between equity and liabilities.

The interim financial information for the six-month periods ended June 30, 2010 and 2009 has not been subjected to auditing procedures and accordingly, we express no opinion on it.

/s/ ACCUITY LLP

Honolulu, Hawaii
April 21, 2010, except for Note 3 and Note 6 which is as of September 13, 2010

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Statements of Assets, Liabilities and Equity
June 30, 2010 (Unaudited) and December 31, 2009 and 2008
(All Dollars in Thousands)

	June 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Assets			
Current assets			
Cash	$ 2,499	$ 3,050	$ 2,787
Trade receivables, net of allowance for doubtful accounts of $122 at June 30, 2010, $97 at December 31, 2009, and $100 at December 31, 2008	1,083	1,377	1,511
Prepaid expenses and other	197	6	438
Total current assets	3,779	4,433	4,736
Property and equipment, net	86,194	89,367	95,701
Deferred loan costs, net of accumulated amortization of $5 at June 30, 2010, $947 at December 31, 2009, and $841 at December 31, 2008	327	28	67
Investment in equity method investee	4,703	4,786	4,763
Restricted cash	3,545	3,036	1,940
Other assets	67	71	76
Total assets	$ 98,615	$ 101,721	$ 107,283
Liabilities and Equity			
Current liabilities			
Accounts payable	$ 463	$ 523	$ 645
Accrued expenses	1,520	1,423	1,341
Advance deposits	175	168	175
Payable to affiliates, net	266	367	438
Total current liabilities	2,424	2,481	2,599
Noncurrent payable to affiliate	14,874	14,874	14,888
Note payable	53,000	53,000	53,000
Total liabilities	70,298	70,355	70,487
Equity	28,317	31,366	36,796
Total liabilities and equity	$ 98,615	$ 101,721	$ 107,283

The accompanying notes are an integral part of the combined financial statements.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Statements of Revenues, Expenses and Changes in Equity
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Six-Month Periods Ended June 30,		Years Ended December 31,		
	2010	2009	2009	2008	Revised 2007
Revenue					
Rooms	$12,274	$13,135	$25,840	$30,028	$24,132
Food and beverage	167	178	354	492	483
Other	105	106	208	308	215
Total revenues	12,546	13,419	26,402	30,828	24,830
Operating expenses					
Operating costs and expenses	5,900	6,204	12,025	13,196	11,070
Depreciation expense	3,173	3,172	6,340	6,209	6,110
Selling, general and administrative	2,964	3,078	6,018	7,071	5,685
Rental, real property taxes and property insurance	826	814	1,639	1,569	1,095
Total operating expenses	12,863	13,268	26,022	28,045	23,960
Operating income (loss)	(317)	151	380	2,783	870
Other expenses					
Interest expense	(625)	(578)	(1,086)	(2,747)	(3,671)
Other	(107)	(108)	(224)	(217)	(177)
Net other expenses	(732)	(686)	(1,310)	(2,964)	(3,848)
Net loss	(1,049)	(535)	(930)	(181)	(2,978)
Equity					
Beginning of period/year	31,366	36,796	36,796	42,977	46,955
Owner distributions	(2,000)	(2,500)	(4,500)	(6,000)	(1,000)
End of period/year	$28,317	$33,761	$31,366	$36,796	$42,977

The accompanying notes are an integral part of the combined financial statements.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Statements of Cash Flows
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Six-Month Periods Ended June 30,		Years Ended December 31,		
	2010	2009	2009	2008	Revised 2007
Cash flows from operating activities					
Net loss	$(1,049)	$ (535)	$ (930)	$ (181)	$ (2,978)
Adjustments to reconcile net loss to net cash provided by operating activities					
Depreciation	3,173	3,172	6,340	6,209	6,110
Amortization of deferred loan costs	33	73	106	414	413
Bad debt expense	25	26	3	4	101
Equity in net loss of equity method investee	83	83	166	172	168
Changes in					
Receivables	269	423	131	347	(1,757)
Prepaid expenses and other	(191)	233	432	53	(202)
Other assets	4	3	5	6	5
Accounts payable	(60)	(3)	(122)	(197)	352
Accrued expenses	97	202	82	(36)	867
Advance deposits	7	8	(7)	105	68
Payable to affiliates, net	(101)	(241)	(85)	233	1,629
Net cash provided by operating activities	2,290	3,444	6,121	7,129	4,776
Cash flows used in investing activities					
Capital expenditures	—	(20)	(6)	(206)	(47,756)
Change in restricted cash	(509)	(578)	(1,096)	(1,064)	(876)
Investment in affiliate	—	—	(189)	—	(5,103)
Net cash used in investing activities	(509)	(598)	(1,291)	(1,270)	(53,735)
Cash flows from financing activities					
Owner distributions	(2,000)	(2,500)	(4,500)	(6,000)	(1,000)
Proceeds from notes payable	—	—	—	—	51,958
Loan costs paid	(332)	(67)	(67)	—	—
Net cash provided by (used in) financing activities	(2,332)	(2,567)	(4,567)	(6,000)	50,958
Net increase (decrease) in cash	(551)	279	263	(141)	1,999
Cash					
Beginning of period/year	3,050	2,787	2,787	2,928	929
End of period/year	$ 2,499	$ 3,066	$ 3,050	$ 2,787	$ 2,928
Supplemental cash flow information					
Interest paid	$ 593	$ 505	$ 980	$ 2,333	$ 3,258
Noncash investing and financing activities					
Construction costs funded by accounts payable and payable to affiliates	$ —	$ —	$ —	$ —	$ 227

The accompanying notes are an integral part of the combined financial statements.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

1. Operations and Ownership

On January 10, 2006, EBW Hotels LLC, Waikele Venture Holdings LLC, Broadway 225 Sorrento Holdings LLC and Broadway 225 Stonecrest Holdings LLC entered into a tenant-in-common ("TIC") ownership agreement (the "TIC Agreement") to construct a 421 all-suite hotel in Waikiki, Honolulu, Hawaii. In January 2008, the hotel received permission to market the property as a 369-suite hotel. This was accomplished by creating additional two bedroom suites within the existing physical configuration. The hotel is operated pursuant to a franchise agreement (the "Franchise Agreement") as the Waikiki Beach Walk – Hotel (the "Hotel"). The Hotel is managed by Outrigger Hotels Hawaii ("OHH") pursuant to a Hotel Management Agreement. The Hotel personnel are employees of OHH.

TIC interests in the assets, liabilities and earnings of the Hotel are in the following proportions:

Tenants in common	Ownership	Type of Entity
EBW Hotels LLC	41.00%	Hawaii Limited Liability Company
Waikele Venture Holdings LLC	34.27%	Delaware Limited Liability Company
Broadway 225 Sorrento Holdings LLC	15.33%	Delaware Limited Liability Company
Broadway 225 Stonecrest Holdings LLC	9.40%	Delaware Limited Liability Company

EBW Hotels LLC is owned by BWH Holdings LLC and ESW LLC, the latter a wholly owned subsidiary of OHH, with ownership percentages of 51% and 49%, respectively.

Profits and losses are allocated among the TIC members on a priority basis, with certain TIC members being entitled to an 8% priority return based on their respective capital account balances.

2. Summary of Significant Accounting Policies

Basis of Presentation

In the opinion of management, the accompanying combined financial statements of the Hotel include all adjustments necessary to present fairly its financial position as of June 30, 2010 and December 31, 2009 and 2008 and the results of operations, changes in equity and cash flows for the annual and six-month periods ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008, and 2007. The results of operations for the period ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year or for any future period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to Combined Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Cash Equivalents

The Hotel considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

At June 30, 2010 and December 31, 2009 and 2008, restricted cash consisted of reserves for furniture, equipment and capital improvements pursuant to the Hotel's management agreement. The reserve balance is not to exceed $500, unless approved by the TIC members. At June 30, 2010 and December 31, 2009 and 2008, the reserve balance in excess of $500 was approved by all TIC members.

Accounts Receivable and Allowance for Doubtful Accounts

Receivables are initially recorded at the amount invoiced or otherwise due and normally do not bear interest. The Hotel maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of individual customer accounts as well as the overall aging of accounts, historical collection experience and current economic and business conditions. Generally, accounts past due by more than 30 days are considered delinquent. However, delinquent accounts are not written off until, in the judgment of management, they are deemed uncollectible based on an evaluation of the specific circumstances of each customer.

The allowance for doubtful accounts represents management's best estimate of potential uncollectible receivables. However, because of the uncertainties inherent in assessing the collectibility of receivables, it is at least reasonably possible that there will be near-term changes in management's estimate due to actual losses and other factors.

Equity Method Investment

Investments in minority-owned entities where the Hotel has the ability to significantly influence the operations of the investee are accounted for using the equity method of accounting. Equity method accounting is discontinued when an investee's accumulated losses equals or exceeds the Hotel's investment and the Hotel has no obligation to provide further financial support to the investee.

Deferred Loan Costs

Loan fees and origination costs associated with the Hotel's debt are deferred and amortized using the straight-line method over the term of the debt agreement, which approximates the effective interest method. These amounts are recorded as interest expense in the combined financial statements. Amortization expense for the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $33, $73, $106, $414 and $413, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense and betterments and replacements are capitalized. Property retired or otherwise disposed of is removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on sales of assets are reflected in current operations.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to Combined Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Depreciation is calculated using the straight-line method based upon the shorter of the asset life or lease term using the following useful lives:

Building and land improvements	15 – 39 years
Furniture, fixtures and equipment	3 – 10 years

The Hotel reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of impairment is based on the estimated future net cash flows from operating activities compared with the carrying value of the asset. If the future net cash flows of an asset are less than the carrying value, a write-down is recorded and measured by the amount of the difference between the carrying value of the asset and the fair value of the asset. No impairment losses were recognized in 2010, 2009, 2008 or 2007.

Changes in estimates, based on market conditions and various other factors, may impact the future recoverability of the carrying value.

Revenue Recognition

The Hotel recognizes revenues from the rental of hotel rooms and guest services when the rooms are occupied and services have been provided. Food and beverage sales are recognized when the customer has been served or at the time the transaction occurs. The Hotel reports revenues net of sales, rooms and general excise taxes collected from or passed on to customers.

Advertising

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Advertising expense for the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $208, $321, $644, $937 and $908, respectively.

Income Taxes

The Hotel is not a taxable entity and the results of its operations are included in the tax returns of the TIC members. Accordingly, income taxes are not reflected in the accompanying combined financial statements. The TIC members file federal and state tax returns based upon their proportionate share of income and expenses, which are subject to examination by taxing authorities.

Concentrations of Credit Risk

Financial instruments that potentially expose the Hotel to concentrations of credit risk consist principally of cash and accounts receivable.

All of the Hotel’s cash is held with financial institutions in the State of Hawaii. At times, cash balances are in excess of depository insurance limits, however, the Hotel does not believe that this concentration of credit risk represents a material risk of loss with respect to its financial position.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to Combined Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

The Hotel extends credit to customers in the normal course of business. To control credit risk, the Hotel performs ongoing credit evaluations of major customers and as a result may require security from certain customers, in the form of letters of credit, guarantees or cash deposits.

The Hotel's operations are primarily dependent on Hawaii's tourism industry. A significant portion of the Hotel's business is derived from tourists from the mainland United States and Japan.

Fair Value Measurements

For financial and nonfinancial assets and liabilities reported at fair value, the Hotel defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. The Hotel measures fair value using observable and unobservable inputs based on the following hierarchy:

- **Level 1**: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2**: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3**: Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

3. Revision

In 2009, the Hotel revised its interpretation of the tenant-in-common agreement, noting that certain balances previously classified as capital contributions were more appropriately classified as a noncurrent payable to one of the tenant-in-common owners, which will be settled when permanent financing is obtained. Accordingly, the Hotel revised its 2007 combined financial statements from amounts previously reported, as follows:

	As Previously Reported	Adjustments	As Revised
Noncurrent payable to affiliate	$ —	$ 14,795	$ 14,795
Total liabilities	55,498	14,795	70,293
Equity			
Beginning of year	60,125	(13,170)	46,955
Contributions	1,625	(1,625)	—
End of year	57,772	(14,795)	42,977
Total liabilities and equity	113,270	—	113,270

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to Combined Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

4. Equity Method Investment

The Hotel has a 29.16% interest in WBW CHP LLC, an entity that was formed to construct a chilled water plant to provide air conditioning to the Hotel and other adjacent facilities. As of June 30, 2010 and December 31, 2009 and 2008, the Company's investment in the uncombined affiliate approximated $4,703, $4,786, and $4,763, respectively. The operating expenses of WBW CHP, other than depreciation, are recovered through reimbursements from its members.

Condensed financial information of the investment is as follows:

	Six-Month Period Ended June 30, 2010 (Unaudited)	Years Ended December 31, 2009	2008
Assets	$ 16,303	$16,507	$16,837
Liabilities	176	95	502
	$ 16,127	$16,412	$16,335
Revenue	$ —	$ —	$ —
Expenses	285	569	590
	$ (285)	$ (569)	$ (590)

5. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2010 (Unaudited)	December 31, 2009	2008
Land	$ 16,373	$ 16,373	$ 16,373
Building and improvements	69,319	69,319	69,319
Furniture, fixtures and equipment	22,535	22,535	22,528
	108,227	108,227	108,220
Less: Accumulated depreciation	(22,033)	(18,860)	(12,519)
	86,194	89,367	95,701
Construction in progress	—	—	—
	$ 86,194	$ 89,367	$ 95,701

6. Note Payable

On May 9, 2006, the TIC members entered into a $53,000 interest-only construction loan agreement with a bank group (severally and collectively, the "Lenders") for the development and construction of the Hotel. The loan, collateralized by a first mortgage on the property, was scheduled to mature during May 2010. The loan agreement required monthly interest-only payments at LIBOR plus 1.50%. The effective interest rates at

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to Combined Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

December 31, 2009 and 2008 were 1.73%, and 1.97%, respectively. Beginning in March 2008, the Hotel was required to maintain a minimum monthly debt service coverage ratio of 1:1. The Hotel was in compliance with this covenant since its effective date through May 31, 2010.

The loan agreement was amended and restated on June 1, 2010 and the maturity date was extended to June 1, 2015. The amended loan agreement requires monthly interest-only payments at LIBOR plus 3.75%. The effective interest rate at June 30, 2010 was 4.10%. The Hotel is required to maintain a minimum monthly debt service coverage ratio of 1.1 to 1 until December 31, 2010 and 1.35 to 1 thereafter. The Hotel was in compliance with this covenant at June 30, 2010.

The amended loan agreement also required certain TIC members to jointly and severally guarantee the repayment of $10,000 of the loan amount. The guarantee shall be released when the Hotel achieves a monthly debt service coverage ratio of 1.5 to 1.

7. Franchise Agreement

The Hotel operates subject to a Franchise Agreement with its brand which expires in December 2021. The Franchise Agreement further provides that the Company may access the brand's reservation services, advertising and other marketing programs, training programs and materials, and operating standards.

The Franchise Agreement provides for a program fee equal to 3% of the Hotel's gross room revenue, as defined, during 2007 and 4% of gross room revenue thereafter. During 2009, the Hotel's brand implemented a fee relief program which reduced the program fee to 3.5%. This fee relief program was extended through 2010, provided the Hotel meets all brand standard requirements. The Franchise Agreement also provides for a royalty fee equal to 2% of gross room revenue during 2007, 3% of gross room revenue during 2008 and 2009, and 4% of gross room revenue thereafter. Program and royalty fees for the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $968, $895, $1,761, $2,202 and $1,260, respectively.

8. Related Party Transactions

Amounts currently receivable (payable) to affiliates consisted of the following:

	June 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Receivable (payable) from WBW CHP LLC for reimbursable costs	$ 17	$ (4)	$ 51
Receivable from IRL LLC, a wholly-owned subsidiary of OHH, for reimbursable costs	—	3	14
Payable to ABW Holdings LLC, a wholly-owned subsidiary of ABW Lewers LLC, for reimbursable costs	(139)	(116)	(76)
Payable to OHH for construction costs and reimbursable costs	(144)	(250)	(427)
	$ (266)	$(367)	$(438)

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to Combined Financial Statements—(Continued)
Six-Month Periods Ended June 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

At June 30, 2010 and December 31, 2009 and December 31, 2008, the Hotel had a noncurrent payable of $14,874 and $14,888, respectively, to ESW LLC for the contribution of certain operating assets. The intention of the TIC members is to settle the payable when permanent financing is obtained.

In accordance with the Hotel Management Agreement, OHH is entitled to a management fee equal to 3% of gross revenues and 6% of gross operating profit, as defined, not to exceed 3.5% of gross revenues in the aggregate. The management fee for the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $439, $470, $924, $1,077 and $860, respectively Under the terms of the Hotel Management Agreement, OHH may make available to the Hotel certain specialized services including services for marketing, reservations, information technology, accounting, human resources and purchasing. During the six-month periods ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, the Hotel paid OHH $234, $225, $473, $564 and $463, respectively, for such services.

9. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hotel in estimating the fair value of financial instruments:

- **Cash, restricted cash, trade receivables and payables, current receivables and payables to affiliates**: At June 30, 2010 and December 31, 2009 and 2008, the Hotel believes that the carrying amounts of cash, restricted cash, trade receivables and payables, and current receivables and payables to affiliates approximate fair value due to the short-term nature of these financial instruments.

- **Noncurrent payable to affiliate**: At June 30, 2010 and December 31, 2009 and 2008, the Hotel believes it is not practicable to determine the fair value of the noncurrent payable to affiliate due to the relationship between the Hotel and its affiliate.

- **Note payable**: The fair value of the loan outstanding at December 31, 2009 and 2008 was estimated using a discounted cash flow analysis, which utilizes interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. At June 30, 2010, the Hotel believes that the carrying amount of note payable approximates fair value as the terms of the note were modified in close proximity to the reporting period end.

	Carrying Amount	Fair Value
December 31, 2009		
Note payable	$53,000	$50,260
December 31, 2008		
Note payable	$53,000	$51,525

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder
American Assets Trust, Inc.

We have audited the accompanying statements of revenues and certain operating expenses (as defined in Note 2) of The Landmark at One Market (the "Company") for the years ending December 31, 2009, 2008 and 2007. These statements of revenues and certain operating expenses are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of revenues and certain operating expenses are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements of revenues and certain operating expenses of the Company were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of American Assets Trust, Inc. as described in Note 2, and are not intended to be a complete presentation of the revenues and certain operating expenses of the Company.

In our opinion, the statements of revenues and certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses, as defined above of The Landmark at One Market for the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

The Landmark at One Market

Statements of Revenues and Certain Operating Expenses
(In Thousands)

	For the six months ended June 30, 2010 (unaudited)	Year ended December 31, 2009	2008	2007
Revenue:				
Rental income	$ 10,337	$20,896	$20,893	$20,791
Tenant reimbursements	807	1,292	1,207	1,372
Total revenue	11,144	22,188	22,100	22,163
Certain operating expenses:				
Rental operating	701	1,340	1,385	1,345
Utilities	438	836	749	754
Repairs and maintenance	282	597	632	637
Payroll	65	144	125	133
Rent expense	1,238	2,409	2,438	2,418
Insurance	44	90	113	129
Real estate taxes	1,204	2,382	2,298	2,257
Management fees	344	685	681	650
General and administrative	31	51	92	56
Total expenses	4,347	8,534	8,513	8,379
Revenues in excess of certain operating expenses	$ 6,797	$13,654	$13,587	$13,784

See accompanying notes.

The Landmark at One Market

Notes to Statement of Revenues and Certain Operating Expenses
June 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

The accompanying statements of revenues and certain operating expenses include the operations of The Landmark at One Market (the "Property"), which was acquired by the Predecessor on June 30, 2010. The Predecessor previously had a 34.51% noncontrolling interest in the Property through a tenant-in-common interest. The outside tenant-in-common ownership interest of 65.49% was owned by an unrelated third party. On June 30, 2010, the Predecessor acquired the third party's ownership interest in the Property for $23.0 million in cash and the assumption of debt of $133.0 million (of which $87.1 million was attributable to the outside owners interest). Subsequent to the acquisition, the Predecessor owns 100% of the entities that own the Property. The Property includes two buildings (one of which is leased from a third-party landlord) located in San Francisco, California that have approximately 421,993 (unaudited) of leasable square feet.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying statements of revenue and certain operating expenses have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual results of operations of the Property for the years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

- Depreciation and amortization
- Interest expense
- Interest income
- Amortization of above and below market leases

Revenue Recognition

Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Real estate taxes and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date and it is determined that such fees are earned. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized on a straight line basis over the remaining term of the modified lease agreement.

Accounting estimates

The preparation of the financial statements requires management to use estimates and assumptions that affect the reported amounts of revenue and certain operating expenses during the reporting period. Actual results could materially differ from these estimates in the near term.

The Landmark at One Market

Notes to Statement of Revenues and Certain Operating Expenses—(Continued)
June 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

Unaudited interim statement

The statement of revenues and certain operating expenses for the six months ended June 30, 2010 is unaudited. In the opinion of management, the statement reflects all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

NOTE 3. MINIMUM FUTURE LEASE RENTALS

Office space at the Property is leased to tenants under various lease agreements. All leases are accounted for as operating leases. The leases include provisions under which the entities owning the Property are reimbursed for common area, real estate, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates.

At December 31, 2009, the following future minimum rentals on the non-cancelable tenant leases are as follows (In thousands):

2010	$ 21,362
2011	10,187
2012	9,337
2013	4,631
2014	1,194
Thereafter	7,764
Total	$ 54,475

NOTE 4. CERTAIN OPERATING EXPENSES

Certain operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expense are charged to operations as incurred. Costs such as depreciation, amortization and interest expense are excluded from the statements of revenues and certain operating expenses.

NOTE 5. RELATED PARTY TRANSACTIONS

The Property is managed by the property management business of American Assets Inc. (“AAI”), which is controlled by the Predecessor. There is a master management agreement with AAI with respect to the Property, with additional agreements covering property management, construction management, acquisition, disposition and leasing, and asset management. The fees incurred for the periods presented include:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the property. Fees are 3.0% of gross monthly cash collections each month, with minimum monthly fees of $5,000.

- *Leasing Fees*—Leasing fees are incurred for services provided to procure tenants for the properties. Fees are 1% of the total value of all leases executed for the properties, including new leases, renewals, extensions or other modifications. Leasing fees are capitalized to leasing commissions and amortized over the life of the leases, and are therefore not including in the operating expenses in this statement.

The Landmark at One Market

Notes to Statement of Revenues and Certain Operating Expenses—(Continued)
June 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

The AAI fees incurred are as follows (In thousands):

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009	2008	2007
Property management fees	$ 344	$ 685	$ 495	$ 217
Leasing fees	957	—	—	—
	$ 1,301	$ 685	$ 495	$ 217

NOTE 6. CONCENTRATION OF CREDIT RISK

The Property had four tenants that accounted for more than approximately 80% of the revenues in 2009, 2008, and 2007 and the six months ended June 30, 2010 (unaudited). These tenants were salesforce.com, Del Monte Corporation, Autodesk, and Microsoft. The tenants represented approximately 83%, 85%, and 86% of total revenue for the years ended 2009, 2008, and 2007 and 83% of total revenue for the six months ended June 30, 2010 (unaudited).

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Property is not subject to any material litigation nor to management's knowledge is any material litigation currently threatened against the Property other than routine litigation, claims and administrative proceedings arising in the ordinary course of business. Management believes that such routine litigation, claims and administrative proceedings will not have a material adverse impact on the Property's financial position or results of operations.

One of the buildings at the Property is leased from a landlord under an operating lease and is adjacent to the building owned. The lease expires June 30, 2011, and we have the option to extend until 2026 by way of three five-year extension options. Subsequent to June 30, 2010, we have exercised a renewal option for a renewal term of July 1, 2011 through June 30, 2016. Monthly lease payments during this renewal term will be the greater of current payments or 97.5% of the prevailing rate at the start of the renewal term. Minimum annual payments under the lease (excluding the renewal term) are as follows, as of December 31, 2009 (In thousands):

	(In thousands)
2010	$ 1,403
2011	701
Total	$ 2,104

NOTE 8. SUBSEQUENT EVENTS

The entities owning the Property evaluate subsequent events until the date the financial statements are issued.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder
American Assets Trust, Inc.

We have audited the accompanying combined statements of revenues and certain operating expenses (as defined in Note 2) of Solana Beach Centre (the "Properties") for the years ending December 31, 2009, 2008 and 2007. This combined statements of revenues and certain operating expenses are the responsibility of the management of the Properties. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of revenues and certain operating expenses are free of material misstatement. We were not engaged to perform an audit of the Properties' internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements of revenues and certain operating expenses of the Properties were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of American Assets Trust, Inc. as described in Note 2, and are not intended to be a complete presentation of the revenues and certain operating expenses of the Properties.

In our opinion, the combined statements of revenues and certain operating expenses referred to above presents fairly, in all material respects, the combined revenues and certain operating expenses, as defined above, of Solana Beach Centre for the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

Solana Beach Centre

Combined Statements of Revenues and Certain Expenses
(In Thousands)

	For the six months ended June 30, 2010 (unaudited)	Year ended December 31, 2009	2008	2007
Revenue:				
Rental income	$ 6,552	$12,953	$13,154	$11,876
Other property income	1	24	5	12
Total revenue	6,553	12,977	13,159	11,888
Certain expenses:				
Rental operating	274	543	637	639
Utilities	132	264	197	283
Repairs and maintenance	313	708	778	866
Insurance	38	76	81	103
Real estate taxes	427	843	840	828
Management fees	353	733	721	636
General and administrative	72	61	73	88
Total expenses	1,609	3,228	3,327	3,443
Revenues in excess of certain expenses	$ 4,944	$ 9,749	$ 9,832	$ 8,445

See accompanying notes.

Solana Beach Centre

Notes to Combined Statements of Revenues and Certain Operating Expenses
June 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

The accompanying combined statements of revenues and certain operating expenses include the operations of Solana Beach Towne Centre and Solana Beach Corporate Centre, a retail and an office property, respectively, and one parcel of land held for development (collectively "Solana Beach Centre" or the "Properties"), each located in San Diego, California. The Predecessor has a noncontrolling 50% co-general partner interest, and the Properties are managed by the property management business of American Assets, Inc. ("AAI").

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying statements of revenues and certain operating expenses have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual results of operations for the years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Properties:

- Depreciation and amortization
- Interest expense
- Interest income

Revenue Recognition

Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Real estate taxes and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date and it is determined that such fees are earned. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized on a straight line basis over the remaining term of the modified lease agreement.

Accounting estimates

The preparation of the financial statements requires management to use estimates and assumptions that affect the reported amounts of revenues and certain operating expenses during the reporting period. Actual results could materially differ from these estimates in the near term.

Unaudited interim statement

The statement of revenues and certain operating expenses for the six months ended June 30, 2010 is unaudited. In the opinion of management, the statement reflects all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

Solana Beach Centre

Notes to Statement of Revenues and Certain Operating Expenses—(Continued)
June 30, 2010 (unaudited) and December 31, 2009, 2008, and 2007

NOTE 3. MINIMUM FUTURE LEASE RENTALS

Retail and office space is leased to tenants under various lease agreements. All leases are accounted for as operating leases. The leases include provisions under which the entities owning the property are reimbursed for common area, real estate, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates.

At December 31, 2009, the following future minimum rentals on the non-cancelable tenant leases are as follows (In thousands):

2010	$ 10,714
2011	9,105
2012	7,004
2013	5,153
2014	3,645
Thereafter	7,180
Total	$ 42,801

NOTE 4. CERTAIN OPERATING EXPENSES

Certain operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Repairs and maintenance expense are charged to operations as incurred. Costs such as depreciation, amortization and interest expense are excluded from the statements of revenues and certain operating expenses.

NOTE 5. RELATED PARTY TRANSACTIONS

The Properties are managed by the property management business of AAI, which is controlled by the Predecessor. There is a master management agreement with AAI with respect to the properties, with additional agreements covering property management, construction management, acquisition, disposition and leasing, and asset management. The fees incurred for the periods presented include:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the properties. Fees are 5.5% of gross monthly cash collections each month, including minimum monthly fees of $5,000.

- *Construction Management Fees*—Construction management fees are incurred for the management and supervision of construction projects. Fees range from 3.0% to 5.0% of construction and development costs on buildings and improvements properties or a flat fee may be defined in the agreement. For tenant improvements, fees are 10% of costs for projects where AAI directly supervises construction subcontractors or 3% for projects where AAI manages a general contractor, plus hourly fees for employees of AAI directly working on the tenant improvements. Construction management fees are capitalized to the related real estate asset.

- *Asset Management Fees/Financing Fees*—Asset management fees are incurred for evaluating property value, performance, and/or condition, appealing property assessments or tax valuations, recommending ways to enhance value, and procuring financing. The fees are charged at hourly

Solana Beach Centre

Notes to Statement of Revenues and Certain Operating Expenses—(Continued)
June 30, 2010 (unaudited) and December 31, 2009, 2008, and 2007

rates ranging from $65 to $125 for asset management services. In addition, financing fees are paid for any permanent financing placed on the properties, with fees of either of 25 - 50 basis points times the financed amount. Asset management fees are expensed as incurred. Financing fees are capitalized to debt issuance costs and amortized over the life of the related loan.

In addition to the fees noted above, the Properties also reimburse AAI for monthly maintenance and facilities management services provided to the properties by AAI employees.

The AAI fees incurred are as follows (In thousands):

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31,		
		2009	2008	2007
Property management fees	$ 321	$ 666	$ 656	$ 578
Construction management fees	7	9	24	192
Asset management/Financing fees	130	—	—	—
Maintenance reimbursements	60	120	107	104
	$ 518	$ 795	$ 787	$ 874

The Properties also pays management fees of 0.50% of gross monthly cash collections each month to the Lomas Group, an affiliate of owners of the Properties. Management fees incurred were $32,000 for the six months ended June 30, 2010 and $67,000, $65,000 and $58,000 for the years ended December 31, 2009, 2008, and 2007, respectively.

NOTE 6. CONCENTRATION OF CREDIT RISK

No individual tenant represented more than 10% of revenue for the years ended 2009, 2008, and 2007 and the six months ended June 30, 2010.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Properties are not subject to any material litigation nor to management’s knowledge is any material litigation currently threatened against the Properties other than routine litigation, claims and administrative proceedings arising in the ordinary course of business. Management believes that such routine litigation, claims and administrative proceedings will not have a material adverse impact on the Properties’ financial position or results of operations.

NOTE 8. SUBSEQUENT EVENTS

The entities owning the Properties evaluate subsequent events until the date the statements are issued.

Until , 2010 (25 days after the date of this prospectus), all dealers that effect transactions in our common shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares

American Assets Trust, Inc.

Common Stock

PROSPECTUS

BofA Merrill Lynch

Wells Fargo Securities

Morgan Stanley

, 2010

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. ***Other Expenses of Issuance and Distribution.***

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except for the Securities and Exchange Commission registration fee.

SEC Registration Fee	$ 35,650
NYSE Listing Fee	*
FINRA Filing Fee	50,500
Printing and Engraving Expenses	*
Legal Fees and Expenses (other than Blue Sky)	*
Accounting and Fees and Expenses	*
Transfer Agent and Registrar Fees	*
Total	*

* To be completed by amendment.

Item 32. ***Sales to Special Parties.***

None.

Item 33. ***Recent Sales of Unregistered Securities.***

On July 16, 2010 we issued 1,000 shares of our common stock to the Ernest Rady Trust U/D/T March 10, 1983 in connection with the initial capitalization of our company for an aggregate purchase price of $1,000. The issuance of such shares was effected in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act.

In connection with the formation transactions, an aggregate of shares of common stock and common units with an aggregate value of $ million, based on the mid-point of the range of prices on the cover of the prospectus, will be issued to certain persons owning interests in the entities that own the properties comprising our portfolio as consideration in the formation transactions. All such persons had a substantive, pre-existing relationship with us and made elections to receive such securities in the formation transactions prior to the filing of this registration statement with the SEC. Prior to the filing of this registration statement, each such person consented to the contribution or merger of the entity or entities in which he or she holds an investment either to or with and into us or our operating partnership or with and into a wholly owned subsidiary of our operating partnership (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities). All of such persons are “accredited investors” as defined under Regulation D of the Securities Act. The issuance of such shares and units will be effected in reliance upon exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D of the Securities Act.

Item 34. ***Indemnification of Directors and Officers.***

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and

deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision which eliminates our directors' and officers' liability to the maximum extent permitted by Maryland law.

Maryland law requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that: (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty; (b) the director or officer actually received an improper personal benefit in money, property or services; or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate ourselves and our bylaws obligate us, to indemnify any present or former director or officer or any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in any of the foregoing capacities and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served a predecessor of our company in any of the capacities described above and any employees or agents of our company or a predecessor of our company. Furthermore, our officers and directors are indemnified against specified liabilities by the underwriters, and the underwriters are indemnified against certain liabilities by us, under the underwriting agreement relating to this offering. See "Underwriting."

We intend to enter into indemnification agreements with each of our executive officers and directors whereby we indemnify such executive officers and directors to the fullest extent permitted by Maryland law against all expenses and liabilities, subject to limited exceptions. These indemnification agreements also provide that upon an application for indemnity by an executive officer or director to a court of appropriate jurisdiction, such court may order us to indemnify such executive officer or director.

In addition, our directors and officers are indemnified for specified liabilities and expenses pursuant to the partnership agreement of American Assets Trust, L.P., the partnership of which we serve as sole general partner.

Item 35. ***Treatment of Proceeds from Stock Being Registered.***

None.

Item 36. ***Financial Statements and Exhibits.***

(A) *Financial Statements.* See Index to Consolidated Financial Statements and the related notes thereto.

(B) *Exhibits*. The attached Exhibit Index is incorporated herein by reference.

Item 37. ***Undertakings.***

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

The undersigned registrant hereby further undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that the registrant meets all of the requirements for filing on Form S-11 and has duly caused this Amendment No. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on this 20th day of October, 2010.

AMERICAN ASSETS TRUST, INC.

By: /s/ John W. Chamberlain
John W. Chamberlain
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ernest S. Rady **Ernest S. Rady**	Executive Chairman of the Board of Directors (Principal Executive Officer)	October 20, 2010
/s/ John W. Chamberlain **John W. Chamberlain**	Chief Executive Officer and Director	October 20, 2010
/s/ Robert F. Barton **Robert F. Barton**	Chief Financial Officer (Principal Financial and Accounting Officer)	October 20, 2010

EXHIBIT INDEX

Exhibit	
1.1*	Form of Underwriting Agreement
3.1*	Articles of Amendment and Restatement of American Assets Trust, Inc.
3.2*	Amended and Restated Bylaws of American Assets Trust, Inc.
4.1*	Form of Certificate of Common Stock of American Assets Trust, Inc.
5.1*	Opinion of Venable LLP
8.1*	Opinion of Latham & Watkins LLP with respect to tax matters
10.1**	Form of Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.
10.2**	Form of Registration Rights Agreement among American Assets Trust, Inc. and the persons named therein
10.3*	American Assets Trust, Inc. and American Assets Trust, L.P. 2010 Equity Incentive Award Plan
10.4*	Form of American Assets Trust, Inc. Restricted Stock Award Agreement
10.5**	Form of Indemnification Agreement between American Assets Trust, Inc. and its directors and officers
10.6**	Representation, Warranty and Indemnity Agreement by and among American Assets Trust, Inc., American Assets Trust, L.P. and Ernest Rady Trust U/D/T March 10, 1983, dated as of September 13, 2010
10.7**	Indemnity Escrow Agreement by and among American Assets Trust, Inc., American Assets Trust, L.P. and the Ernest Rady Trust U/D/T March 10, 1983, dated as of September 13, 2010
10.8**	Form of Tax Protection Agreement by and among American Assets Trust, Inc., American Assets Trust, L.P., and each partner set forth in Schedule I, Schedule II and Schedule III thereto
10.9***	Agreement and Plan of Merger by and among American Assets Trust, L.P. and the entities set forth on Schedule I thereto, dated as of September 13, 2010
10.10***	Agreement and Plan of Merger by and among American Assets Trust, Inc. and the entities set forth on Schedule I thereto, dated as of September 13, 2010
10.11***	Form of Agreement and Plan of Merger by and among American Assets Trust, L.P. and the OP sub forward merger entities named therein
10.12***	Form of Agreement and Plan of Merger by and among American Assets Trust, L.P. and the OP sub reverse merger entities named therein
10.13***	Form of Agreement and Plan of Merger by and among American Assets Trust, Inc. and the REIT sub forward merger entities named therein
10.14***	OP Contribution Agreement by and among American Assets Trust, L.P., American Assets Trust, Inc., and the contributors set forth on Schedule I thereto, dated as of September 13, 2010
10.15***	Form of OP Sub Contribution Agreement by and among American Assets Trust, L.P., the subsidiary entity named therein, American Assets Trust, Inc. and the contributors set forth on Schedule I thereto
10.16***	Management Business Contribution Agreement by and between American Assets, Inc. and American Assets Trust Management, LLC, dated as of September 13, 2010

Exhibit	
10.17**	Deed of Trust and Security Agreement by Alamo Stonecrest Holdings, LLC and Alamo Vista Holdings, LLC, as trustor, in favor of Heritage Title Company of Austin, Inc., as trustee, for the benefit of Morgan Stanley Mortgage Capital Inc., as beneficiary, dated as of December 31, 2003
10.18**	Form of Promissory Note by the borrower named therein to Morgan Stanley Mortgage Capital Inc.
10.19***	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing by Waikele Reserve West Holdings, LLC and Waikele Venture Holdings, LLC, as mortgagor, to Bear Stearns Commercial Mortgage, Inc., as mortgagee, dated as of October 28, 2004
10.20**	First Amendment to Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing by and among Waikele Reserve West Holdings, LLC, Waikele Venture Holdings, LLC and Bear Stearns Commercial Mortgage, Inc., dated as of January 5, 2005
10.21**	Note Severance and Loan Document Modification Agreement by and between Bear Stearns Commercial Mortgage, Inc., Waikele Reserve West Holdings, LLC and Waikele Venture Holdings, LLC, dated as of November 3, 2004
10.22**	Form of Substitute Note by the borrower named therein to Bear Stearns Commercial Mortgage, Inc.
10.23**	Deed of Trust and Security Agreement by Landmark Venture Holdings, LLC and Landmark Firehill Holdings, LLC, as trustor, in favor of Chicago Title Company, as trustee, for the benefit of Morgan Stanley Mortgage Capital Inc., as beneficiary, dated as of June 13, 2005
10.24**	Form of Promissory Note by the borrower named therein to Morgan Stanley Mortgage Capital Inc.
10.25**	Deed of Trust and Security Agreement by Del Monte—POH, LLC, Del Monte—DMSJH, LLC, Del Monte—KMBC, LLC and Del Monte—DMCH, LLC, as trustor, in favor of First American Title Insurance Company, as trustee, for the benefit of Column Financial, Inc., as beneficiary, dated as of June 30, 2005
10.26**	Form of Promissory Note by the borrower named therein to Column Financial, Inc.
10.27	Reserved
10.28	Reserved
10.29	Reserved
10.30	Reserved
10.31	Reserved
10.32**	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing by ABW Holdings LLC, as mortgagor, to Column Financial, Inc., as mortgagee, dated as of February 15, 2007

Exhibit	
10.33**	First Amendment to Mortgage and Other Loan Documents by and among ABW Holdings LLC, American Assets, Inc. Outrigger Enterprises, Inc. and Column Financial, Inc., dated as of October 31, 2007
10.34**	Promissory Note by ABW Holdings LLC, as maker, to Column Financial, Inc., dated as of February 15, 2007
10.35**	Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing by Loma Palisades, a California general partnership, as trustor, to First American Title Insurance Company, as trustee, for the benefit of Wells Fargo Bank, National Association, as beneficiary, dated as of June 30, 2008
10.36**	Multifamily Note by Loma Palisades, a California general partnership, to Wells Fargo Bank, National Association, dated as of June 30, 2008
10.37	Reserved
10.38*	Transition Services Agreement between American Assets, Inc. and American Assets Trust, Inc., dated as of , 2010
10.39*	Sublease Agreement between American Assets, Inc. and American Assets Trust, Inc., dated as of , 2010
10.40	Management Agreement for Waikiki Beach Walk®—Retail between ABW Holdings LLC and Retail Resort Properties LLC, dated as of November 1, 2007
10.41	Outrigger Hotels Hawaii—Hotel Management Agreement—Embassy Suites™—Waikiki Beach Walk™ Hotel by and among EBW Hotel LLC, Waikele Venture Holdings, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC and Outrigger Hotels Hawaii, dated as of January 10, 2006
10.42	Franchise License Agreement—Embassy Suites—Waikiki Beach Walk—Honolulu, Hawaii between Outrigger Hotels Hawaii and Promus Hotels, Inc., dated as of January 25, 2005
21.1*	List of Subsidiaries of the Registrant
23.1*	Consent of Venable LLP (included in Exhibit 5.1)
23.2*	Consent of Latham & Watkins LLP (included in Exhibit 8.1)
23.3	Consent of Ernst & Young LLP
23.4	Consent of Accuity LLP
23.5**	Consent of Rosen Consulting Group
24.1**	Power of Attorney (included on the Signature Page)
99.1*	Rosen Consulting Group Market Study

* To be filed by amendment.
** Previously filed with the Registration Statement on Form S-11 filed by the Registrant on September 13, 2010.
*** Previously filed, but amended version filed herewith.

Exhibit 10.9

AGREEMENT AND PLAN OF MERGER

DATED AS OF SEPTEMBER 13, 2010

BY AND AMONG

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

AND

THE FORWARD OP MERGER ENTITIES
as set forth on Schedule I hereto

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IPO Price	Section 8.02(t)
JAMS	Section 8.08(b)

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of September 13, 2010, by and among American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership") and a subsidiary of American Assets Trust, Inc., a Maryland corporation (the "REIT"), and the entities identified on Schedule I hereto as "Forward OP Merger Entities" (each a "Forward OP Merger Entity" and, collectively the "Forward OP Merger Entities").

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities each as described on Schedule I hereto;

WHEREAS, concurrently with the execution of this Agreement, each of the entities identified on Schedule I hereto as "Forward REIT Merger Entities" (the "Forward REIT Merger Entities") will enter into an agreement and plans of merger with the REIT pursuant to which each such Forward REIT Merger Entity will merge with and into the REIT in the order set forth in Section 1.01 and the equity interest in each Forward REIT Merger Entity will be converted automatically into the right to receive cash, without interest, or shares of common stock of the REIT, par value $.01 per share (the "REIT Shares");

WHEREAS, concurrently with the execution of this Agreement, the REIT will enter into agreements and plans of merger with certain American Assets Entities identified as "REIT Sub Forward Merger Entities" on Schedule I hereto (the "REIT Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each of the REIT Sub Forward Merger Entities will merge with and into wholly owned subsidiaries of the REIT;

WHEREAS, immediately following the completion of the mergers described in the preceding paragraphs, the REIT will contribute to the Operating Partnership, (i) all of the rights and obligations of the Forward REIT Merger Entities acquired by the REIT as a result of the mergers between it and the Forward REIT Merger Entities and (ii) all of the REIT's interests in the surviving entities of the mergers of the REIT Sub Forward Merger Entities with and into wholly owned subsidiaries of the REIT;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, will enter into a contribution agreement with certain holders (the "Contributors") of interests in certain American Assets Entities identified as "Contributed Entities" on Schedule I hereto, pursuant to which, immediately following the completion of the mergers and contributions described in the preceding paragraphs, each Contributor shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, respectively, all of the Contributor's interests in the applicable American Assets Entity (the "Contributed Interest"), and the Operating Partnership, or such subsidiary, as applicable, shall acquire from each Contributor all of each Contributor's right, title and interest as a holder of the Contributed Interests;

WHEREAS, pursuant to this Agreement each Forward OP Merger Entity, immediately following the mergers and contributions identified in the preceding paragraphs, will merge with and into the Operating Partnership in the order set forth in Section 1.01 (the "Mergers") and each partnership or membership interest in each Forward OP Merger Entity (the "Forward OP Merger Entity Interests") will be converted automatically as set forth herein into the right to receive cash, without interest, common units of partnership interest in the Operating Partnership (the "OP Units"), REIT Shares, or a combination of the foregoing;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Forward Merger Entities" on Schedule I hereto (collectively, the "OP Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each OP Sub Forward Merger Entity will merge with and into a separate wholly-owned subsidiary of the Operating Partnership;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Reverse Merger Entities" on Schedule I hereto (collectively, the "OP Sub Reverse Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, a separate wholly-owned subsidiary of the Operating Partnership will merge with and into each OP Sub Reverse Merger Entity;

WHEREAS, in lieu of one or more of the mergers described in the preceding paragraphs and at the same time as such mergers would have otherwise occurred, certain holders (the "Consenting Holders") of interests in certain American Assets Entities shall contribute to the Operating Partnership, or a wholly owned subsidiary of the Operating Partnership, all of their interests in the applicable American Assets Entity, and the Operating Partnership shall acquire from each Consenting Holder, all of each Consenting Holder's right, title and interest as a holder of interests in such American Assets Entities;

WHEREAS, the Formation Transactions relate to the proposed initial public offering (the "IPO") of the REIT Shares, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code;

WHEREAS, in accordance with applicable state law for each of the Forward OP Merger Entities, each Forward OP Merger Entity may be merged with another entity, subject to the requisite approvals as provided in applicable state law;

WHEREAS, the REIT, as the general partner of the Operating Partnership has approved and authorized the Mergers and the other Formation Transactions in accordance with the Maryland Revised Uniform Limited Partnership Act (the "MLPA") and the partnership agreement of the Operating Partnership;

WHEREAS, the managing member, manager or general partner, as applicable, of each Forward OP Merger Entity has each determined that it is advisable and in the best interests of each Forward OP Merger Entity, and its respective equity holders and limited partners, as the case may be, to proceed with the Mergers and the other Formation Transactions on the terms described in this Agreement; and

WHEREAS, each Forward OP Merger Entity has obtained the requisite approval of its respective limited partners, members or investors (and lenders, as applicable) to the Mergers and the other Formation Transactions, applicable to each Forward OP Merger Entity.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I
THE MERGERS

Section 1.01 THE MERGERS. At the Effective Time (as defined below), and subject to and upon the terms and conditions of this Agreement and in accordance with applicable Laws, each Forward OP Merger Entity shall be merged with and into the Operating Partnership in the order specified in Exhibit D, whereby the separate existence of each Forward OP Merger Entity shall cease, and the Operating Partnership shall continue its existence under Maryland law as the surviving entity (hereinafter sometimes referred to as the "Surviving Entity").

Section 1.02 EFFECTIVE TIME. Subject to and upon the terms and conditions of this Agreement, concurrently with or as soon as practicable after (i) the execution by the REIT and the Operating Partnership of the Underwriting Agreement and (ii) the satisfaction or waiver of the conditions set forth in Article VII, the Operating Partnership and each of the Forward OP Merger Entities shall file articles of merger or similar documents with respect to each Merger (the "Certificates of Merger") as may be required by applicable Laws, with the State Department of Assessments and Taxation of Maryland ("SDAT"), the Secretary of State of the State of Delaware, and each other jurisdiction applicable to each Forward OP Merger Entity providing that each Merger shall become effective upon filing or at such later date and time set forth in the Certificate of Merger with respect to such Merger that is not more than thirty (30) days after the acceptance of the Certificate of Merger by the SDAT for record (the "Effective Time"), together with any certificates and other filings or recordings related thereto, in such forms as are required by, and executed in accordance with the relevant provisions of applicable Laws.

Section 1.03 EFFECT OF THE MERGERS. At the Effective Times, which shall be in the order specified in Exhibit D, the effect of the Mergers shall be as provided in this Agreement, the Certificates of Merger and applicable Laws.

Section 1.04 ORGANIZATIONAL DOCUMENTS. At the Effective Time, (i) the certificate of limited partnership of the Operating Partnership, as in effect immediately prior to the Effective Time, shall be the certificate of limited partnership of the Surviving Entity until thereafter amended as provided therein or in accordance with the MLPA, and (ii) the agreement of limited partnership of the Operating Partnership, as amended and restated and in effect immediately prior to the Effective Time (the "Operating Partnership Agreement"), shall be the agreement of limited partnership of the Surviving Entity until thereafter amended as provided therein or in accordance with the MLPA.

Section 1.05 CONVERSION OF FORWARD OP MERGER ENTITY INTERESTS.

(a) Under and subject to the terms and conditions of the respective Formation Transaction Documentation, as the result of an irrevocable election indicated on a Consent Form submitted by a Pre-Formation Participant or as a result of the failure of a Pre-Formation Participant to submit a Consent Form, each Pre-Formation Participant is irrevocably bound to accept and entitled to receive, as a result of and upon consummation of the Mergers or other Formation Transactions, a specified share of the sponsors' value of the American Assets Entities as a whole in the form of the right to receive cash, REIT Shares and/or OP Units as calculated in this Section 1.05.

At the Effective Time, by virtue of the Mergers and without any action on the part of the parties hereto, except as set forth in Section 1.05(b), each Forward OP Merger Entity Interest shall be converted automatically into the right to receive cash, OP Units and/or REIT Shares with an aggregate value equal to the portion of Equity Value represented by such Forward OP Merger Entity Interest (collectively referred to as the "Merger Consideration") and each holder that receives OP Units in the Mergers shall, upon receipt of such OP Units and the delivery of a Consent Form or a counterpart signature page to the Operating Partnership Agreement and such other documents and instruments as may be required in the sole discretion of the REIT to effect such holder's admission as a limited partner of the Operating Partnership, be admitted as a limited partner of the Operating Partnership in accordance with the MLPA and the Operating Partnership Agreement.

Subject to Section 1.07 and Section 2.02(c), the amount of cash, number of OP Units and/or REIT Shares comprising the Merger Consideration for each Forward OP Merger Entity Interest so converted shall be as follows:

(i) Cash: One hundred percent (100%) of the Allocated Share for each Forward OP Merger Entity Interest held by a Pre-Formation Participant who is not an Accredited Investor shall be paid in cash.

(ii) OP Units. The Elected OP Unit Percentage of the Allocated Share for each Forward OP Merger Entity Interest or portion thereof held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of OP Units equal to the applicable portion of such Allocated Share divided by the IPO Price.

(iii) REIT Shares. The Elected REIT Shares Percentage of the Allocated Share for each Forward OP Merger Entity Interest or portion thereof held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of REIT Shares equal to the applicable portion of such Allocated Share divided by the IPO Price; *provided that*, to the extent such distribution of REIT Shares to the holder of the Forward OP Merger Entity Interests would result in a violation of the restrictions on ownership and transfer set forth in Section 6.3 of the REIT's charter (the "Ownership Limits"), such holder shall receive (x) the maximum number of whole REIT Shares that would not result in such a violation of the Ownership Limits, and (y) that number of OP Units equal to the remaining number of REIT Shares not distributed as a result of the application of the foregoing clause (x).

(b) Each Forward OP Merger Entity Interest issued and outstanding immediately prior to the Effective Time that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries (having been previously acquired by the REIT, the Operating Partnership or any such Subsidiary thereof pursuant to the other Formation Transactions) shall remain issued and outstanding, and no consideration shall be delivered hereunder in exchange therefor.

Section 1.06 CANCELLATION AND RETIREMENT OF FORWARD OP MERGER ENTITY INTERESTS. From and after the Effective Time, (i) each Forward OP Merger Entity Interest converted into the right to receive the Merger Consideration pursuant to Section 1.05(a) shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of such Forward OP Merger Entity Interest so converted shall thereafter cease to have any rights as a partner or member of any Forward OP Merger Entity except the right to receive the Merger Consideration applicable thereto, and (ii) each Forward OP Merger Entity Interest issued and outstanding that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist and no consideration shall be delivered hereunder in exchange therefor.

Section 1.07 FRACTIONAL INTERESTS. No fractional OP Units or REIT Shares shall be issued in the Mergers. All fractional OP Units that a holder of Forward OP Merger Entity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole OP Units resulting from such aggregation and, in lieu of any fractional OP Unit resulting from such aggregation, an amount in cash determined by multiplying that fraction of an OP Unit to which such holder would otherwise have been entitled, by the IPO Price. All fractional REIT Shares that a holder of Forward OP Merger Entity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole REIT Shares resulting from such aggregation and, in lieu of any fractional REIT Share resulting from such aggregation, an amount in cash determined by multiplying that fraction of a REIT Share to which such holder would otherwise have been entitled, by the IPO Price. No interest will be paid or will accrue on any cash paid or payable in lieu of any fractional OP Unit or REIT Share.

Section 1.08 CALCULATION OF MERGER CONSIDERATION. As soon as practicable following the determination of the IPO Price and prior to the Effective Time, all calculations relating to the Merger Consideration shall be performed in good faith by, or under the direction of, the REIT, and, absent manifest error, shall be final and binding upon the holders of Forward OP Merger Entity Interests.

Section 1.09 TRANSACTION COSTS. If the Closing occurs, the REIT and the Operating Partnership shall be solely responsible for all transaction costs and expenses of the REIT, the Operating Partnership and the American Assets Entities in connection with the Formation Transactions and the IPO, which include, but are not limited to, the underwriting discounts and commissions. In the event the Closing does not occur, each party shall be responsible for its allocable portion of such costs and expenses in accordance with the terms of those certain letter agreements identified on Schedule II.

ARTICLE II

CLOSING; TERM OF AGREEMENT

Section 2.01 CLOSING. Unless this Agreement shall have been terminated pursuant to Section 2.05, and subject to the satisfaction or waiver of the conditions in Article VII, the filing of the Certificates of Merger, the Effective Time and the closing of the other transactions contemplated by this Agreement shall occur substantially concurrently with the receipt by the REIT of the proceeds from the IPO from the underwriters (the "Closing" or the "Closing Date") in the order set forth on Exhibit D. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400 San Diego, California 92130 or such other place as determined by the REIT in its sole discretion. The Closing hereunder and the closing of the IPO shall be deemed concurrent for all purposes.

Section 2.02 PAYMENT OF MERGER CONSIDERATION.

(a) As soon as reasonably practicable after the Effective Time, the Surviving Entity (or its successor in interest) shall deliver to each holder of Forward OP Merger Entity Interests, whose Forward OP Merger Entity Interests have been converted into the right to receive the Merger Consideration pursuant to Section 1.05(a) hereof, the Merger Consideration payable to such holder in the amounts and form provided in Section 1.05(a) hereof. The issuance of the OP Units and admission of the recipients thereof as limited partners of the Operating Partnership pursuant to Section 1.05(a) shall be evidenced by an amendment to Exhibit A to the Operating Partnership Agreement, and the Operating Partnership shall deliver, or cause to be delivered, an executed copy of such amendment to each Pre-Formation Participant receiving OP Units hereunder. Any certificate representing REIT Shares issuable as Merger Consideration shall bear the following legend:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS THE TRANSFEROR DELIVERS TO THE CORPORATION AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND EXCEPT AS EXPRESSLY PROVIDED IN THE CORPORATION'S CHARTER, (I) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S COMMON STOCK IN EXCESS OF [__]% (IN VALUE OR NUMBER OF SHARES) OF THE OUTSTANDING SHARES OF COMMON STOCK OF THE CORPORATION UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (II) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK OF THE CORPORATION IN EXCESS OF [__]% OF THE VALUE OF THE TOTAL OUTSTANDING SHARES OF CAPITAL STOCK OF THE CORPORATION, UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (III) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN CAPITAL STOCK THAT WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (IV) NO PERSON MAY TRANSFER SHARES OF CAPITAL STOCK IF SUCH TRANSFER WOULD RESULT IN THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK IN EXCESS OR IN VIOLATION OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP SET FORTH IN (I) THROUGH (III) ABOVE ARE VIOLATED, THE SHARES OF CAPITAL STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY TAKE OTHER ACTIONS, INCLUDING REDEEMING SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID *AB INITIO*. ALL UNDERLINED TERMS IN THIS LEGEND HAVE THE MEANINGS DEFINED IN THE CHARTER OF THE CORPORATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF CAPITAL STOCK OF THE CORPORATION ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

(b) The Surviving Entity (or its successor in interest) shall not be liable to any holder of a Forward OP Merger Entity Interest for any portion of the Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(c) So long as some portion of the Merger Consideration with respect to an American Assets Entity is in the form of OP Units, the parties hereto intend and agree that, for United States federal income tax purposes, the Merger of each such entity shall constitute an "assets-over" partnership merger within the meaning of Treasury Regulations Section 1.708-1(c)(3)(i), and, as a result, that (i) any payment of cash or REIT Shares for the Forward OP Merger Entity Interests of such holder in such entity shall be treated as a sale of such Forward OP Merger Entity Interests by the holder and a purchase of such Forward OP Merger Entity Interests by the Operating Partnership for the cash and/or REIT Shares so paid under the terms of this Agreement in accordance with Treasury Regulations Section 1.708-1(c)(4), and (ii) each such holder of the Forward OP Merger Entity Interests who accepts cash and/or REIT Shares shall explicitly agree and consent (the "Sale Consent") to such treatment in their Consent Form as a condition to electing such consideration. To the extent the Operating Partnership acquires any Forward OP Merger Entity Interests as described above, or previously acquired such interest, for United States federal income tax purposes the receipt by the Operating Partnership of the portion of property attributable to such Forward OP Merger Entity Interests shall be treated as a distribution by a Forward OP Merger Entity in redemption of such Forward OP Merger Entity Interests. Notwithstanding Section 1.05(a) and any holder's election as to the form of their Merger Consideration, if any holder (other than a non-accredited investor), fails to execute a Sale Consent prior to the Closing, such holder's Merger Consideration shall consist solely of OP Units. Any cash paid as the Merger Consideration to a non-accredited investor for a Forward OP Merger Entity Interest shall be paid only after the receipt of a Sale Consent from such holder.

Section 2.03 TAX WITHHOLDING. The Operating Partnership and each Forward OP Merger Entity shall be entitled to deduct and withhold from the consideration payable pursuant to this Agreement to any holder of a Forward OP Merger Entity Interest such amounts required to be deducted and withheld with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Forward OP Merger Entity Interests in respect of which such deduction and withholding was made.

Section 2.04 FURTHER ACTION. If, at any time after the Effective Time, the Surviving Entity shall determine or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Entity the right, title or interest in, to or under any of the rights, properties or assets of any Forward OP Merger Entity acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Mergers or otherwise to carry out this

Agreement, the Surviving Entity shall be authorized to execute and deliver, in the name and on behalf of any Forward OP Merger Entity or otherwise, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of any Forward OP Merger Entity or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Entity or otherwise to carry out this Agreement.

Section 2.05 TERM OF THE AGREEMENT. This Agreement shall terminate automatically if (i) the initial registration statement of the REIT for the IPO (the "Registration Statement") has not been filed with the Securities and Exchange Commission ("SEC") by March 31, 2011, or (ii) the Mergers shall not have been consummated on or prior to December 31, 2011 (such date is hereinafter referred to as the "Outside Date").

Section 2.06 EFFECT OF TERMINATION. In the event of termination of this Agreement for any reason, all obligations on the part of the Operating Partnership and each Forward OP Merger Entity under this Agreement shall terminate, except that the obligations set forth in Article VIII shall survive; it being understood and agreed, however, for the avoidance of doubt, that if this Agreement is terminated because one or more of the conditions to a non-breaching party's obligations under this Agreement are not satisfied by the Outside Date as a result of the other party's material breach of a covenant, representation, warranty or other obligation under this Agreement or any other Formation Transaction Documentation, the non-breaching party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE OPERATING PARTNERSHIP

The Operating Partnership hereby represents and warrants to each Forward OP Merger Entity as follows:

Section 3.01 ORGANIZATION; AUTHORITY.

(a) The Operating Partnership has been duly formed and is validly existing and in good standing under the Laws of its jurisdiction of formation, and, upon the effectiveness of the Operating Partnership Agreement, will have all requisite power and authority to enter into this Agreement and the other Formation Transaction Documentation and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

(b) Schedule 3.01(b) sets forth as of the date hereof, (i) each Subsidiary of the Operating Partnership (each an "Operating Partnership Subsidiary"), (ii) the ownership interest therein of the Operating Partnership, and (iii) if not wholly owned by the Operating Partnership,

the identity and ownership interest of each of the other owners of such Operating Partnership Subsidiary. Each Operating Partnership Subsidiary has been duly organized or formed and is validly existing and is in good standing under the Laws of its jurisdiction of organization or formation, as applicable, has all requisite power and authority to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.02 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Formation Transaction Documentation (including each agreement, document and instrument executed and delivered by or on behalf of the Operating Partnership pursuant to this Agreement or the other Formation Transaction Documentation) by the Operating Partnership has been duly and validly authorized by all necessary actions required of the Operating Partnership. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of the Operating Partnership pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of the Operating Partnership, enforceable against the Operating Partnership in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 3.03 CONSENTS AND APPROVALS. Except for the filing of the Certificates of Merger in accordance with Section 1.02 hereof or in connection with the IPO and the consummation of the other Formation Transactions, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by the Operating Partnership in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby, except for (i) those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect, or (ii) those consents of the Pre-Formation Participants under the Organizational Documents of the applicable American Assets Entity, the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.04 NO VIOLATION. None of the execution, delivery or performance of this Agreement, the other Formation Transaction Documentation, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of the Operating Partnership, (B) any agreement, document or instrument to which the Operating Partnership or any of its assets are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on the Operating Partnership, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.05 VALIDITY OF OP UNITS. Any OP Units to be issued pursuant to this Agreement will have been duly authorized and, when issued against the consideration therefor, will be validly issued by the Operating Partnership, free and clear of all Liens created by the Operating Partnership (other than any Liens created by the Operating Partnership Agreement).

Section 3.06 OPERATING PARTNERSHIP AGREEMENT. Attached as Exhibit B hereto is a true and correct copy of the Operating Partnership Agreement in substantially final form.

Section 3.07 LIMITED ACTIVITIES. Except for activities in connection with the IPO, the Formation Transactions or in the ordinary course of business, the Operating Partnership and the Operating Partnership Subsidiaries have not engaged in any material business or incurred any material obligations.

Section 3.08 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, there is no action, suit or proceeding pending or, to the knowledge of the Operating Partnership, threatened against the Operating Partnership or any Operating Partnership Subsidiary, other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation of the Operating Partnership, that individually or in the aggregate, would not reasonably be expected, (a) if adversely determined, to have an OP Material Adverse Effect, or (b) to challenge or impair the ability of the Operating Partnership to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby, to such an extent as would result in an OP Material Adverse Effect.

Section 3.09 NO BROKER. The Operating Partnership has not entered into, and covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of any Forward OP Merger Entity or any Affiliates thereof to pay any finder’s fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 3.10 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article III, the Operating Partnership, shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby. All representations, warranties and covenants of the Operating Partnership contained in this Agreement shall expire at the Closing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE FORWARD OP MERGER ENTITIES

Except as disclosed in the Prospectus or the schedules attached hereto, each Forward OP Merger Entity represents and warrants to the Operating Partnership that the following statements are true and correct solely with respect to such Forward OP Merger Entity as of the Closing Date:

Section 4.01 ORGANIZATION; AUTHORITY.

(a) Each Forward OP Merger Entity has been duly organized and is validly existing and in good standing under the Laws of its jurisdiction of formation and has all requisite power and authority to enter into this Agreement, each agreement contemplated hereby and the other Formation Transaction Documentation to which it is a party (including any agreement, document and instrument executed and delivered by or on behalf of such Forward OP Merger Entity pursuant to this Agreement or the other Formation Transaction Documentation) and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate any Property owned, leased and/or operated by it and to carry on its business as presently conducted. Each Forward OP Merger Entity, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of a Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

(b) Schedule 4.01(b) sets forth as of the date hereof with respect to such Forward OP Merger Entity (i) each Subsidiary of such Forward OP Merger Entity (each a "Forward OP Merger Entity Subsidiary"), (ii) the ownership interest therein of such Forward OP Merger Entity, (iii) if not wholly owned by such Forward OP Merger Entity, the identity and ownership interest of each of the other owners of such Subsidiary, and (iv) each property owned or leased pursuant to a ground lease by such Forward OP Merger Entity or such Subsidiary (each a "Property"). Such Forward OP Merger Entity Subsidiary has been duly organized and is validly existing and is in good standing under the Laws of its jurisdiction of organization, and has all requisite power and authority to own, lease and/or operate its Property and to carry on its business as presently conducted. Such Forward OP Merger Entity Subsidiary, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

Section 4.02 DUE AUTHORIZATION. The execution, delivery and performance by such Forward OP Merger Entity of this Agreement and the other Formation Transaction Documentation (including any agreement, document and instrument executed and delivered by or on behalf of such Forward OP Merger Entity pursuant to this Agreement or the other Formation Transaction Documentation) to which it is a party have been duly and validly

authorized by all necessary actions required of such Forward OP Merger Entity. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of such Forward OP Merger Entity pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of such Forward OP Merger Entity, each enforceable against such Forward OP Merger Entity in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.03 CAPITALIZATION. Schedule 4.03 sets forth as of the date hereof the ownership of such Forward OP Merger Entity. All of the issued and outstanding equity interests of such Forward OP Merger Entity and each Forward OP Merger Entity Subsidiary are duly authorized, validly issued and fully paid; and, to the knowledge of such Forward OP Merger Entity, are not subject to preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights under the Organizational Documents of or any contract to which such Forward OP Merger Entity is a party or otherwise bound, except for such preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights as would not prevent the Merger. There are no outstanding rights to purchase, subscriptions, warrants, options or any other security convertible into or exchangeable for equity interests in such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries.

Section 4.04 CONSENTS AND APPROVALS. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or any Governmental Authority or under any applicable Laws is required to be obtained by such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries in connection with the execution, delivery and performance of this Agreement, the other Formation Transaction Documentation to which such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries is a party and the transactions contemplated hereby and thereby, except for those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

Section 4.05 NO VIOLATION. None of the execution, delivery or performance of this Agreement, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the Organizational Documents of such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries or (B) any agreement, document or instrument to which such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries or any of their respective assets or properties are bound by or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

Section 4.06 LICENSES AND PERMITS. To the knowledge of such Forward OP Merger Entity, all notices, licenses, permits, certificates and authorizations required for the continued use, occupancy, management, leasing and operation of the Properties have been obtained or can be obtained without material cost, are in full force and effect, are in good standing and (to the extent required in connection with the transactions contemplated by the Formation Transaction Documentation) are assignable to the Operating Partnership, except in each case for items that, if not so obtained, obtainable and/or transferred, would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect. To the knowledge of such Forward OP Merger Entity neither such Forward OP Merger Entity, nor its Forward OP Merger Entity Subsidiaries, nor any third party has taken any action that (or failed to take any action the omission of which) would result in the revocation of any such notice, license, permit, certificate or authorization where such revocation or revocations would, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect, nor has any one of them received any written notice of violation from any Governmental Authority or written notice of the intention of any entity to revoke any such notice, license, permit, certificate or authorization, that in each case has not been cured or otherwise resolved to the satisfaction of such Governmental Authority or other entity and except as would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Adverse Effect.

Section 4.07 COMPLIANCE WITH LAWS. To the knowledge of such Forward OP Merger Entity, such Forward OP Merger Entity and its Forward OP Merger Entity Subsidiaries have conducted their respective businesses in compliance with all applicable Laws, except for such failures that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Adverse Effect. To the knowledge of such Forward OP Merger Entity, neither such Forward OP Merger Entity, nor its Forward OP Merger Entity Subsidiaries, nor any third party has been informed in writing of any continuing violation of any such Laws or that any investigation has been commenced and is continuing or is contemplated respecting any such possible violation, except in each case for violations that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

Section 4.08 PROPERTIES.

(a) Except as set forth in Schedule 4.08(a), such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiary is the insured under a policy of title insurance as the owner of, and, to the knowledge of such Forward OP Merger Entity**,** such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiary is the owner of, the fee simple estate (or, in the case of certain Properties, the leasehold estate or the tenancy-in-common estate) to the Property owned by such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiary, in each case free and clear of all Liens except for Permitted Liens. Prior to the effective time of the merger contemplated hereby, neither such Forward OP Merger Entity nor any of its Forward OP Merger Entity Subsidiaries shall take or omit to take any action to cause any Lien to attach to any Property, except for Permitted Liens and Liens, if any, given to secure mortgage indebtedness encumbering such Property.

(b) Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect, to the knowledge of such Forward OP Merger Entity, (1) neither such Forward OP Merger Entity nor its Forward OP Merger Entity Subsidiaries, nor any other party to any material agreement affecting any Property (other than a Lease (as such term is hereinafter defined) for space within such Property), is in breach or default of any such agreement, (2) no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any such agreement, or would, individually or together with all such other events, reasonably be expected to cause the acceleration of any material obligation of any party thereto or the creation of a Lien upon any asset of such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries, except for Permitted Liens, and (3) all agreements affecting any Property required for the continued use, occupancy, management, leasing and operation of such Property (exclusive of space Leases) are valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

(c) To the knowledge of such Forward OP Merger Entity, as presently conducted, none of the operation of the buildings, fixtures and other improvements comprising a part of the Properties is in violation of any applicable building code, zoning ordinance or other "land use" Law, except for such violations that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

(d) Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect, (1) to the knowledge of such Forward OP Merger Entity, neither such Forward OP Merger Entity, nor its Forward OP Merger Entity Subsidiaries, nor any other party to any Lease, is in breach or default of any such Lease, (2) to the knowledge of such Forward OP Merger Entity, no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any Lease or would permit termination, modification or acceleration under such Lease, and (3) to the knowledge of such Forward OP Merger Entity, each of the leases (and all amendments thereto or modifications thereof) to which such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries is a party or by which such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries or any Property is bound or subject (collectively, the "Leases") is valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.09 INSURANCE. Such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries has in place the public liability, casualty and other insurance coverage with respect to each Property owned, leased and/or managed by it as such Forward OP Merger Entity reasonably deems necessary and in all cases including such coverage as is required under the terms of any continuing loan or Lease. Each of the insurance policies with respect to each Property is in full force and effect in all material respects and all premiums due and payable thereunder have been fully paid when due. To the knowledge of such Forward OP Merger Entity, neither such Forward OP Merger Entity nor its Forward OP Merger Entity Subsidiaries have received from any insurance company any notices of cancellation or intent to cancel any insurance.

Section 4.10 ENVIRONMENTAL MATTERS. Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect, to the knowledge of such Forward OP Merger Entity, (A) such Forward OP Merger Entity and its Forward OP Merger Entity Subsidiaries are in compliance with all Environmental Laws, (B) neither such Forward OP Merger Entity nor its Forward OP Merger Entity Subsidiaries have received any written notice from any Governmental Authority or third party alleging that such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries or any Property is not in compliance with applicable Environmental Laws, and (C) there has not been a release of a hazardous substance on any of the Properties that would require investigation or remediation under applicable Environmental Laws. The representations and warranties contained in this Section 4.10 constitute the sole and exclusive representations and warranties made by such Forward OP Merger Entity concerning environmental matters.

Section 4.11 EMINENT DOMAIN. There is no existing or, to the knowledge of such Forward OP Merger Entity, proposed or threatened condemnation, eminent domain or similar proceeding, or private purchase in lieu of such a proceeding which would affect any of the Properties, except for such proceedings that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

Section 4.12 EXISTING LOANS. Schedule 4.12 lists, as of the date hereof, all secured loans presently encumbering the Properties or any direct or indirect interest in the applicable Forward OP Merger Entity, and any unsecured loans relating thereto to be assumed by the Operating Partnership or any Subsidiary of the Operating Partnership at Closing (the "Disclosed Loans").

Section 4.13 FRANCHISE AGREEMENTS. To the knowledge of such Forward OP Merger Entity, the hotel franchise agreement set forth on Schedule 4.13 ("Franchise Agreement") is the only hotel franchise agreement in effect for any Property. Except as set forth on Schedule 4.13, neither the applicable Forward OP Merger Entity nor any of its Forward OP Merger Entity Subsidiaries, nor, to the knowledge of such Forward OP Merger Entity, any other party to the Franchise Agreement, is in breach or default of the Franchise Agreement, except for such breach or default that would not, individually or in the aggregate, reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

Section 4.14 FINANCIAL STATEMENTS. The financial statements of such Forward OP Merger Entity included in the Prospectus have been prepared in all material respects in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), subject, in the case of unaudited statements, to normal year-end audit adjustments, and fairly present in all material respects the financial condition and results of operations of such Forward OP Merger Entity as of the dates indicated therein and for the periods ended as indicated therein.

Section 4.15 TAXES. Except as set forth in Schedule 4.15, (i) such Forward OP Merger Entity and each of its Forward OP Merger Entity Subsidiaries have timely and properly filed all Tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Authority having authority to do so), and all such returns and reports are accurate and complete in all material respects, and has paid (or had paid on its behalf) all Taxes as required to be paid by it, (ii) no income or material non-income Tax returns filed by such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries are the subject of a pending or ongoing audit, and (iii) except as would not have a Forward OP Merger Entity Material Adverse Effect, no deficiencies for any Taxes have been proposed, asserted or assessed against such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries, and no requests for waivers of the time to assess any such Taxes are pending. Except as set forth in Schedule 4.15, since its formation, for U.S. federal income tax purposes, such Forward OP Merger Entity has been treated as a partnership, or an entity disregarded from a partnership, and not as a corporation or an association taxable as a corporation, and each of its Forward OP Merger Entity Subsidiaries has been treated as a partnership or disregarded entity and not as a corporation or an association taxable as a corporation.

Section 4.16 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, to the knowledge of such Forward OP Merger Entity, there is no action, suit or proceeding pending or, to the knowledge of such Forward OP Merger Entity, threatened against or affecting such Forward OP Merger Entity, its Forward OP Merger Entity Subsidiaries or Properties, or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation, which, if adversely determined would not have a Forward OP Merger Entity Material Adverse Effect. There is no action, suit, or proceeding pending or, to the knowledge of such Forward OP Merger Entity, threatened against or affecting such Forward OP Merger Entity, its Forward OP Merger Entity Subsidiaries or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing which challenges or impairs the ability of such Forward OP Merger Entity to execute or deliver, or materially perform its obligations under this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby. Except for matters covered by insurance, there is no judgment, decree, injunction, rule or order of a Governmental Authority outstanding against such Forward OP Merger Entity, its Forward OP Merger Entity Subsidiaries or any officer, director, principal, managing member or general partner of any of the foregoing in their capacity as such, which would reasonably be expected to have a Forward OP Merger Entity Material Adverse Effect.

Section 4.17 NO INSOLVENCY PROCEEDINGS. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to such Forward OP Merger Entity's knowledge, threatened against such Forward OP Merger Entity, nor are any such proceedings contemplated by such Forward OP Merger Entity.

Section 4.18 SECURITIES LAW MATTERS. Such Forward OP Merger Entity acknowledges that: (i) the REIT and Operating Partnership intend the offer and issuance of any REIT Shares or OP Units to any Pre-Formation Participants to be exempt from registration under the Securities Act and applicable state securities laws by virtue of the status of such partner or member as an "accredited investor" (within the meaning of Rule 501(a) of Regulation D under the Securities Act) acquiring any REIT Shares or OP Units in a transaction exempt from

registration pursuant to Rule 506 of Regulation D under the Securities Act, and (ii) in issuing any REIT Shares or OP Units pursuant to the terms of this Agreement, the REIT and Operating Partnership are relying on the representations made by each partner or member electing to receive REIT Shares or OP Units as consideration in the Merger, which representations were set forth in Appendix D to the Request for Consent – Accredited Investor Representations Letter.

Section 4.19 NO BROKER. Such Forward OP Merger Entity has not entered into, and it covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the Operating Partnership or any Affiliate to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 4.20 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article IV and any other agreement entered into in connection with the Formation Transactions to which it is a party, such Forward OP Merger Entity shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby.

Section 4.21 OWNERSHIP OF CERTAIN ASSETS. Except as set forth in Schedule 4.21, no such Forward OP Merger Entity nor any Forward OP Merger Entity Subsidiary owns any loan assets or other securities of any issuer except for equity interests in other American Assets Entities.

Section 4.22 SURVIVAL OF REPRESENTATIONS AND WARRANTIES OF THE FORWARD OP MERGER ENTITIES. The parties hereto agree and acknowledge that the representations and warranties set forth in this Article IV (other than Section 4.01, Section 4.02, Section 4.03, Section 4.18 and Section 4.23) shall not survive the Closing.

Section 4.23 NON-FOREIGN STATUS. Neither such Forward OP Merger Entity nor any of its Forward OP Merger Subsidiaries is a foreign person (as defined in the Code).

ARTICLE V

COVENANTS AND OTHER AGREEMENTS

Section 5.01 PRE-CLOSING COVENANTS. During the period from the date hereof to the Closing Date (except as otherwise provided for or contemplated by this Agreement or in connection with the Formation Transactions), each Forward OP Merger Entity shall use commercially reasonable efforts to (and shall cause each of its Forward OP Merger Entity Subsidiaries to) conduct its businesses and operate and maintain the Properties in the ordinary course of business consistent with past practice, pay its debt obligations as they become due and payable, and use commercially reasonable efforts to preserve intact its current business organizations and preserve its relationships with customers, tenants, suppliers, advertisers and

others having business dealings with it, in each case consistent with past practice. In addition, and without limiting the generality of the foregoing, during the period from the date hereof to the Closing Date and except in connection with the Formation Transactions, each Forward OP Merger Entity shall not (and shall not permit any of its Forward OP Merger Entity Subsidiaries to) without the prior written consent of the Operating Partnership, which consent may be withheld by the Operating Partnership in its sole discretion:

(a)(i) other than distributions to the equity holders of such Forward OP Merger Entity in connection with such holders' payment of any Taxes related to their ownership of the equity of the Forward OP Merger Entity or as otherwise contemplated by this Agreement, declare, set aside or pay any distributions in respect of any Forward OP Merger Entity Interests, except in the ordinary course of business consistent with past practice and in accordance with the applicable governing document of such Forward OP Merger Entity, (ii) issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any Forward OP Merger Entity Interests or make any other changes to the equity capital structure of such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries, or (iii) purchase, redeem or otherwise acquire any Forward OP Merger Entity Interests or interests of its Forward OP Merger Entity Subsidiaries or any other securities thereof;

(b) issue, deliver, sell, transfer, dispose, mortgage, pledge, assign or otherwise encumber, or cause the issuance, delivery, sale, transfer, disposition, mortgage, pledge, assignment or otherwise encumbrance of, any limited liability company, partnership interests or other equity interests of such Forward OP Merger Entity or of its Forward OP Merger Entity Subsidiaries or any other assets of such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries;

(c) amend, modify or terminate any lease, contract or other instruments relating to the Property, except in the ordinary course of business consistent with past practice;

(d) amend its certificate of formation, certificate of organization, limited partnership agreement, limited liability company agreement or operating agreement, as applicable;

(e) adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(f) materially alter the manner of keeping such Forward OP Merger Entity's or its Forward OP Merger Entity Subsidiaries' books, accounts or records or the accounting practices therein reflected;

(g) file an entity classification election pursuant to Treasury Regulation Section 301.7701-3(c) on Internal Revenue Service Form 8832 (Entity Classification Election) to treat such Forward OP Merger Entity or its Forward OP Merger Entity Subsidiaries as an association taxable as a corporation for United States federal income tax purposes; make or change any other Tax elections; settle or compromise any claim, notice, audit report or assessment in respect of Taxes; change any annual Tax accounting period; adopt or change any method of Tax accounting; file any amended Tax return; enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any Tax; surrender of any right to claim a Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment;

(h) terminate or amend any existing insurance policies affecting any Property that results in a material reduction in insurance coverage for the Property;

(i) knowingly cause or permit such Forward OP Merger Entity to violate, or fail to use commercially reasonable efforts to cure any violation of, any applicable Laws; or

(j) authorize, commit or agree to take any of the foregoing actions.

Section 5.02 CONSENT AND WAIVER OF RIGHTS UNDER ORGANIZATIONAL DOCUMENTS. As of the Closing, each of the Forward OP Merger Entities waives and relinquishes all rights and benefits otherwise afforded to such Forward OP Merger Entity (a) under its Organizational Documents including, without limitation, any rights of appraisal, rights of first offer or first refusal, buy/sell agreements, put, option or similar parallel exit or dissenter rights in connection with the Formation Transactions and the IPO and any right to consent to or approve of the sale or contribution or other transaction undertaken by any partner or member, as applicable, of such Forward OP Merger Entity of their Forward OP Merger Entity Interests to the Operating Partnership or any Affiliate thereof and any and all notice provisions related thereto and (b) for claims against the REIT or the Operating Partnership for breach by any of their respective present or former officers, directors, managing members, general partners or Affiliates of their fiduciary duties or similar obligations (including duties of disclosure) to any of their respective present or former shareholders, members, partners, equity interest holders or Affiliates. Each of the Forward OP Merger Entities acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the Organizational Documents of each of the Forward OP Merger Entities or other agreements among one or more holders of Forward OP Merger Entities Interests or one or more of the partners or members, as applicable, of any of the Forward OP Merger Entities. With respect to each of the Forward OP Merger Entities and each Property in which the Forward OP Merger Entity Interests represent a direct or indirect interest, each of the Forward OP Merger Entities expressly give all consents (and any consents necessary to authorize the proper parties in interest to give all consents) and waivers it is entitled to give that are necessary or desirable to facilitate the contribution or other Formation Transactions relating to such Forward OP Merger Entity or such Property. In addition, if the transactions contemplated hereby occur, this Agreement shall be deemed to be an amendment to the Organizational Documents of each of the Forward OP Merger Entities to the extent the terms herein conflict with the terms thereof, including without limitation, terms with respect to allocations, distributions and the like. In the event the transactions contemplated by this Agreement do not occur, nothing in this Agreement shall be deemed to be or construed as an amendment or modification of, or commitment of any kind to amend or modify, the Organizational Documents of any of the Forward OP Merger Entities, which shall remain in full force and effect without modification.

Section 5.03 EXCLUDED ASSETS. Prior to or, as specified on Schedule 5.03, as soon as possible following the Closing and after such amounts are reasonably determinable, each Forward OP Merger Entity shall distribute or cause to be distributed or paid out the assets identified on Schedule 5.03 (the "Excluded Assets").

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.01 COMMERCIALLY REASONABLE EFFORTS BY THE OPERATING PARTNERSHIP AND THE FORWARD OP MERGER ENTITIES. Each of the Operating Partnership and each Forward OP Merger Entity shall use commercially reasonable efforts and cooperate with each other in (i) promptly determining whether any filings are required to be made or consents, approvals, waivers, permits or authorizations are required to be obtained (under any applicable Law or regulation or from any Governmental Authority or third party) in connection with the transactions contemplated by this Agreement, and (ii) promptly making (or causing to be made) any such filings, in furnishing information required in connection therewith and in timely seeking to obtain any such consents, approvals, waivers, permits and authorizations.

Section 6.02 TAX MATTERS.

(a) Each Forward OP Merger Entity and its Subsidiaries shall timely file or cause to be timely filed when due all Tax returns required to be filed by or with respect to such Person on or prior to the Closing Date and shall pay or cause to be paid all Taxes shown due thereon. All such Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law.

(b) The Operating Partnership shall prepare or cause to be prepared and file or cause to be filed all income Tax returns of each Forward OP Merger Entity and each of their Subsidiaries which are due after the Closing Date. All such income Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law. No later than ten (10) days prior to the due date (including extensions) for filing such income Tax returns, the Operating Partnership shall deliver such income Tax returns to American Assets, Inc. for its review and approval, which shall not be unreasonably withheld.

(c) The Operating Partnership shall prepare or cause to be prepared all other Tax returns of each Forward OP Merger Entity and each of their respective Subsidiaries.

(d) In accordance with Section 704(c) of the Code, the Operating Partnership shall adopt and use only the so-called “traditional method” described in Treasury Regulation Section 1.704-3(b) with respect to any properties transferred directly or indirectly by a Forward OP Merger Entity to the Operating Partnership as a result of the Formation Transactions, and therefore shall not make any curative or remedial allocations with respect to such properties.

Section 6.03 WITHHOLDING CERTIFICATE. Prior to Closing, each Forward OP Merger Entity shall deliver to the Operating Partnership such forms and certificates, duly executed and acknowledged, in form and substance reasonably satisfactory to the Operating Partnership (including any relevant forms or certificates provided to the Forward OP Merger Entity by the holders of Forward OP Merger Entity Interests), certifying that the payment of consideration in each Merger is exempt from withholding under Section 1445 of the Code and any similar withholding rules under applicable state, local or foreign Tax Laws.

Section 6.04 TAX ADVICE. The Operating Partnership makes no representations or warranties to any Forward OP Merger Entity or any holder of a Forward OP Merger Entity Interest regarding the Tax treatment of the Mergers or the other Formation Transactions, or with respect to any other Tax consequences to any Forward OP Merger Entity or any holder of a Forward OP Merger Entity Interest of this Agreement, the Mergers or the other Formation Transactions. Each Forward OP Merger Entity acknowledges that such Forward OP Merger Entity and the holders of Forward OP Merger Entity Interests are relying solely on their own Tax advisors in connection with this Agreement, the Mergers and the other Formation Transactions and agreements contemplated hereby.

Section 6.05 ALTERNATE TRANSACTION. In the event that the Operating Partnership determines that a structure change is necessary, advisable or desirable, the Operating Partnership may elect, in its sole and absolute discretion, to effect the Alternate Transaction, and in such case each Forward OP Merger Entity hereby agrees and consents to such election, without the need for the Operating Partnership to seek any further consent or action from such Forward OP Merger Entity, and agrees that the parties shall undertake the Alternate Transaction and shall, and it shall cause its members or partners, as applicable, and Subsidiaries to, enter into such agreements as shall be necessary to consummate the Alternate Transaction.

Section 6.06 EXCLUSION OF ENTITIES. The parties hereby agree that the Operating Partnership shall have the right, in its sole discretion, to exclude any of the Forward OP Merger Entities from the Mergers after the date hereof until the Effective Time, provided that the Operating Partnership shall provide prior written notice to such Forward OP Merger Entity regarding such exclusion.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.01 CONDITION TO EACH PARTY'S OBLIGATIONS. The respective obligation of each party to effect the Mergers and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date is subject to the satisfaction or waiver on or prior to the Effective Time of the following conditions:

(a) REGISTRATION STATEMENT. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings by the SEC seeking a stop order. This condition may not be waived by any party.

(b) NO INJUNCTION. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment, injunction, stay or other order (whether temporary, preliminary or permanent), in any

case which is in effect and which prevents or prohibits consummation of any of the transactions contemplated in this Agreement nor shall any of the same brought by a Governmental Authority of competent jurisdiction be pending or threatened that seeks the foregoing.

(c) OPERATING PARTNERSHIP AGREEMENT. The Operating Partnership Agreement, in substantially the form attached hereto as Exhibit B, shall have been executed and delivered by the partners of the Operating Partnership and shall be in full force and effect and, except as contemplated by Section 2.02 or the other Formation Transaction Documents, shall not have been amended or modified.

Section 7.02 CONDITIONS TO OBLIGATIONS OF THE FORWARD OP MERGER ENTITIES. The obligation of each Forward OP Merger Entity to effect the Mergers and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the Forward OP Merger Entity, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have an OP Material Adverse Effect, each of the representations and warranties of the Operating Partnership contained in this Agreement shall be true and correct in all material respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE OPERATING PARTNERSHIP. Except as would not have an OP Material Adverse Effect, the Operating Partnership shall have performed all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) REGISTRATION RIGHTS AGREEMENT. The REIT shall have entered into the registration rights agreement substantially in the form attached as Exhibit C. This condition may not be waived by any party.

(d) TAX PROTECTION AGREEMENT. Solely with respect to any Forward OP Merger Entity the Forward OP Merger Entity Interests of which are held by any Pre-Formation Participant that (1) owns, directly or indirectly, an interest in any property specified in the Tax Protection Agreement or (2) has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the REIT and the Operating Partnership shall have entered into the Tax Protection Agreement substantially in the form attached as Exhibit E, where applicable.

Section 7.03 CONDITIONS TO OBLIGATION OF THE OPERATING PARTNERSHIP. The obligations of the Operating Partnership to effect the Mergers and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the Operating Partnership, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have a Forward OP Merger Entity Material Adverse Effect, each of the representations and warranties of the Forward OP Merger Entities contained in this Agreement, as well as those of the Ernest

Rady Trust U/D/T March 10, 1983, as amended (the "Rady Trust"), under the Representation, Warranty and Indemnity Agreement, shall be true and correct in all respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE FORWARD OP MERGER ENTITIES. Each Forward OP Merger Entity shall have performed in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) IPO CLOSING. The closing of the IPO shall occur substantially concurrently with the Closing.

(d) CONSENTS, ETC. All necessary consents or approvals of Governmental Authorities or third parties (including lenders) for each Forward OP Merger Entity to consummate the transactions contemplated hereby shall have been obtained.

(e) NO MATERIAL ADVERSE CHANGE. There shall have not occurred between the date hereof and the Closing Date any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of each Forward OP Merger Entity or Forward OP Merger Entity Subsidiary and the Properties, taken as a whole.

(f) REPRESENTATION, WARRANTY AND INDEMNITY AGREEMENT. The Rady Trust shall have entered into the Representation, Warranty and Indemnity Agreement.

(g) ESCROW AGREEMENT. The parties thereto shall have entered into the Escrow Agreement.

(h) LOCK-UP AGREEMENT. Each of the Pre-Formation Participants owning interests in each Forward OP Merger Entity shall have entered into the Lock-Up Agreement substantially in the form attached as Exhibit F.

(i)(i) TAX PROTECTION AGREEMENT. Solely with respect to each Forward OP Merger Entity (1) that owns, directly or indirectly, an interest in any property specified in the Tax Protection Agreement or (2) the Forward OP Merger Entity Interests of which are held by any Pre-Formation Participant that has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the holders of the Forward OP Merger Entity Interests thereof shall have entered into the Tax Protection Agreement, substantially in the form attached as Exhibit E.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.01 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (i) delivered personally, (ii) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (iii) one (1) Business Day after being sent by a nationally recognized overnight courier

or (iv) transmitted by facsimile if confirmed within twenty-four (24) hours thereafter by a signed original sent in the manner provided in clause (i), (ii) or (iii) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party):

if to the Operating Partnership to:

American Assets Trust, L.P.
11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

if to a Forward OP Merger Entity to:

11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

Section 8.02 DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings.

(a) "Accredited Investor" has the meaning set forth under Regulation D of the Securities Act.

(b) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(c) "Allocated Share" means the amount that would be allocated to a Pre-Formation Participant that is the holder of an interest in an American Assets Entity in accordance with the provisions of the existing Organizational Documents of such entity relating to distributions of distributable net proceeds from sales of directly or indirectly owned properties or assets, and assuming the sale of the relevant Target Asset or Target Assets that are directly or indirectly owned by such entity for a value equal to such Target Asset's or Target Assets' respective Equity Value(s).

Notwithstanding the foregoing, the Allocated Share of any Pre-Formation Participant shall reflect the following adjustments:

1. Intercompany Debt Adjustment. In calculating Allocated Share, all Intercompany Debt shall be taken into account so that the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligor of Intercompany Debt collectively are reduced, and the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligee of such Intercompany Debt collectively are increased, in each case by the amount of such Intercompany Debt (such adjustments being referred to as "Intercompany Debt Adjustments").

2. Entity Specific Debt Adjustment. To the extent that Entity Specific Debt is allocated to a Target Asset, in calculating Allocated Shares of holders of direct or indirect Pre-Formation Interests in the American Assets Entity or Entities owning such Target Asset, the amount of the decrease in Equity Value of such Target Asset attributable to the allocation of such Entity Specific Debt to such Target Asset (through the operation of the formula set forth on Schedule III) (in each case, such decrease being the "Decrease") shall be taken into account so that:

    a. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in any obligor(s) under such Entity Specific Debt collectively shall be (i) reduced by the amount equal to the excess of (w) the amount of the Entity Specific Debt owed by such obligor over (x) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset; or (ii) increased by the amount equal to the excess of (y) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset over (z) the amount of the Entity Specific Debt owed by such obligor; and

    b. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in American Assets Entities owning such Target Asset that are not obligors under such Entity Specific Debt collectively shall be increased by the amount equal to the amount of the Decrease allocated pro rata to such holders as direct or indirect owner of the Target Asset;

with the net effect under the foregoing clauses (a)(i), (a)(ii) and (b) being that the adverse economic impact of the Decrease shall be borne equitably by the holders of direct or indirect Pre-Formation Interests in the actual obligor(s) under such Entity Specific Debt and not by any other holder of direct or indirect Pre-Formation Interests in the American Assets Entities owning such Target Asset.

Illustrative examples of the application of the foregoing Allocated Share adjustments using hypothetical numbers are included as Example 3 and Example 4 in ***Appendix A*** to Schedule III.

(d) "Alternate Transaction" means (i) a contribution of the assets held by a Forward OP Merger Entity to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, (ii) a contribution by each holder of direct or indirect equity interests in a Forward OP Merger Entity to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that would have otherwise been received by such holder of direct or indirect equity interests pursuant to this Agreement, (iii) the restructuring of the Merger as either (x) a merger of the Forward OP Merger Entity with and into either the REIT or a wholly owned subsidiary of the REIT or the Operating Partnership or (y) a merger of a wholly owned subsidiary of either the REIT or the Operating Partnership with and into the Forward OP Merger Entity, in each case in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, or (iv) any other transaction pursuant to which the REIT, the Operating Partnership or any of their Subsidiaries acquire the assets held by a Forward OP Merger Entity or each holder of direct or indirect equity interests in such Forward OP Merger Entity in a transaction pursuant to which each holder of direct or indirect interests in such Forward OP Merger Entity receives the amount of cash, the number of OP Units and/or the number of REIT Shares that were to be received by such holder pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets acquired by the REIT, the Operating Partnership or any of their Subsidiaries pursuant to such Alternate Transaction).

(e) "American Assets Entity" means a Forward OP Merger Entity, Forward REIT Merger Entity, OP Sub Reverse Merger Entity, OP Sub Forward Merger Entity, REIT Sub Forward Merger Entity, Contributed Entity or OP Sub Contributed Entity, as applicable. As used herein, "American Assets Entities" refer to each American Assets Entity, collectively.

(f) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California.

(g) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(h) "Consent Form" means the forms provided to each holder of Pre-Formation Interests to consent to the Formation Transactions and to make such holder's irrevocable elections with respect to consideration to be received in the Formation Transactions.

(i) "Elected OP Unit Percentage" means, for the Merger Consideration to be received with respect to any Forward OP Merger Entity Interest, the percentage of the Allocated Share represented by such Forward OP Merger Entity Interest that the holder thereof has made a Valid Election to receive in the form of OP Units.

(j) "Elected REIT Shares Percentage" means, for the Merger Consideration to be received with respect to any Forward OP Merger Entity Interest, the percentage of the Allocated Share represented by such Forward OP Merger Entity Interest that the holder thereof has made a Valid Election to receive in the form of REIT Shares.

(k) "Environmental Laws" means all federal, state and local Laws governing pollution or the protection of human health or the environment.

(l) "Equity Value" has the meaning set forth in Schedule III hereto.

(m) "Escrow Agreement" means the Indemnity Escrow Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(n) "Formation Transaction Documentation" means all of the agreements and plans of merger (including this Agreement) relating to all target entities and all contribution agreements and related documents and agreements, substantially in the forms accompanying the Request for Consent dated July 31, 2010 and identified in Exhibit A hereto, pursuant to which all of the American Assets Entities and/or the equity interests in the American Assets Entities held by the Pre-Formation Participants are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(o) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(p) "Forward OP Merger Entity Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the applicable Forward OP Merger Entity and each subsidiary of such Forward OP Merger Entity, taken as a whole.

(q) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(r) "Intercompany Debt" means loans or advances among American Assets Entities and/or their Subsidiaries or among holders of Pre-Formation Interests on the one hand and American Assets Entities and/or their Subsidiaries on the other hand, other than those promissory notes set forth on ***Appendix D*** to Schedule III for which Del Monte Center is listed as the associated Target Asset, each of which loans or advances are set forth on Schedule IV hereto. Intercompany Debt shall not be discharged pursuant to the Formation Transactions except to the extent any such Intercompany Debt merges out of existence by operation of law as a result of such transactions (e.g., if the Operating Partnership acquires both the obligor and obligee interest in a loan which reflects an Intercompany Debt). After the closing of the Formation Transactions, and except as provided below, to the extent any such loans are acquired by the REIT, Operating Partnership or their Subsidiaries (e.g., an obligor or obligee with respect to such loans is merged with or into, or acquired by, one of such entities), the REIT, Operating Partnership or their Subsidiaries (as applicable) shall be permitted to take any actions (including repayment) with respect to such Intercompany Debt as they deem appropriate. Intercompany Debt with respect to which either the obligor or the obligee (but not both such parties) under such Intercompany Debt is acquired, directly or indirectly, by the REIT, Operating Partnership or their Subsidiaries, shall be deemed to be discharged immediately after the Formation Transactions by (i) the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligor, or (ii) the obligor to the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligee, in each case in exchange for the consideration payable as set forth in the applicable Formation Transaction Documentation. The amounts payable and receivable with respect to each item of Intercompany Debt shall be determined by the REIT, for purposes of determining the Intercompany Debt Adjustments, within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

(s) "IPO Closing Date" means the closing date of the IPO.

(t) "IPO Price" means the initial public offering price of a REIT Share in the IPO.

(u) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(v) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(w) "Lock-Up Agreement" means that certain Lock-Up Agreement, by and between the underwriters and each investor of the REIT and/or the Operating Partnership.

(x) "OP Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the Operating Partnership and each Operating Partnership Subsidiary, taken as a whole.

(y) "Operating Partnership Agreement" means the agreement of limited partnership of the Operating Partnership, as amended and restated and in effect immediately prior to the Effective Time.

(z) "Organizational Documents" means the certificate of formation, certificate of incorporation and bylaws, certificate of limited partnership and limited partnership agreement, limited liability company agreement or operating agreement, of each Forward OP Merger Entity or Forward OP Merger Entity Subsidiary, as applicable.

(aa) "Permitted Liens" means (i) Liens, or deposits made to secure the release of such Liens, securing Taxes, the payment of which is not delinquent or the payment of which (including, without limitation, the amount or validity thereof) is being contested in good faith by appropriate proceedings for which adequate reserves have been made in accordance with GAAP; (ii) zoning, entitlement, building and other land use Laws imposed by governmental agencies having jurisdiction over the Properties; (iii) covenants, conditions, restrictions, easements for public utilities, encroachments, rights of access or other non-monetary matters that do not materially impair the use of the Properties for the purposes for which they are currently being used or proposed to be used in connection with the relevant Person's business; (iv) Liens securing financing or credit arrangements existing as of the Closing Date; (v) Liens arising under leases in effect as of the Closing Date; (vi) any exceptions contained in any title policy (including any policy issued to a secured lender) relating to the Properties as of the Closing Date; (vii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business that are not yet due and payable and which are not, in the aggregate, material to the business, operations and financial condition of the Properties so encumbered; and (viii) any matters that would not have a Forward OP Merger Entity Material Adverse Effect.

(bb) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(cc) "Pre-Formation Interests" means the interests held by the Pre-Formation Participants in the American Assets Entities.

(dd) "Pre-Formation Participants" means the holders of the direct and indirect equity interests in the relevant American Assets Entities immediately prior to the Formation Transactions.

(ee) "Prospectus" means the REIT's final prospectus as filed with the SEC.

(ff) "Representation, Warranty and Indemnity Agreement" means the Representation, Warranty and Indemnity Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(gg) "Securities Act" means the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder.

(hh) "Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person owns (either directly or through or together with another Subsidiary of such Person) either (i) a general partner, managing member or other similar interest, or (ii)(A) ten percent (10%) or more of the voting power of the voting capital stock or other equity interests, or (B) ten percent (10%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity.

(ii) "Target Asset" has the meaning set forth in Schedule III hereto.

(jj) "Tax" means all federal, state, local and foreign income, gross receipts, license, property, withholding, sales, franchise, employment, payroll, goods and services, stamp, environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

(kk) "Tax Protection Agreement" means that certain Tax Protection Agreement by and among the REIT, the Operating Partnership and the parties identified as a signatory on Schedule A thereto.

(ll) "Underwriting Agreement" means that certain underwriting agreement, by and between the REIT, the Operating Partnership and certain underwriters set forth therein, pursuant to which the REIT will issue and sell shares in the IPO.

(mm) "Valid Election" means, with respect to any Forward OP Merger Entity Interest, an irrevocable election to receive all or a portion of its Allocated Share in the form of OP Units and/or REIT Shares as indicated on the properly completed and timely received Consent Form of the holder of such Forward OP Merger Entity Interest or a Consent Form as to which any deficiencies have been waived by the REIT.

Section 8.03 COUNTERPARTS. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

Section 8.04 ENTIRE AGREEMENT; THIRD-PARTY BENEFICIARIES. This Agreement, the other Formation Transaction Documentation and the Consent Forms to which the parties hereto are a party, including, without limitation, the exhibits and schedules hereto and thereto, constitute the entire agreement and, except as set forth in Section 1.09, supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

Section 8.05 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, regardless of any Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 8.06 ASSIGNMENT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; *provided, however*, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that the Operating Partnership may assign its rights and obligations hereunder to an Affiliate.

Section 8.07 JURISDICTION. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the County of San Diego, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

Section 8.08 DISPUTE RESOLUTION. The parties intend that this Section 8.08 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to Section 8.08(c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this agreement to arbitrate) that is not resolved pursuant to Section 8.08(a) above shall be submitted to final and binding arbitration in California before one neutral and impartial arbitrator, in accordance with the Laws of the State of California for agreements made in and to be performed in that State. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. Each of the Operating Partnership, on the one hand, and any Forward OP Merger Entity, on the other hand, shall appoint one arbitrator within fifteen (15) days of a demand for arbitration. If the Operating Partnership and any Forward OP Merger Entity cannot mutually agree upon an arbitrator within such 15-day period, the arbitrator shall be appointed by JAMS in accordance

with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs, and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

Section 8.09 SEVERABILITY. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable law, but if any provision is held invalid, illegal or unenforceable under applicable law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

Section 8.10 RULES OF CONSTRUCTION.

(a) The parties hereto agree that they have had the opportunity to be represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All

terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Unless explicitly stated otherwise herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

Section 8.11 EQUITABLE REMEDIES. The parties agree that irreparable damage would occur to the Operating Partnership in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Operating Partnership shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by any Forward OP Merger Entity and to enforce specifically the terms and provisions hereof in any federal or state court located in California, this being in addition to any other remedy to which the Operating Partnership is entitled under this Agreement or otherwise at law or in equity.

Section 8.12 WAIVER OF SECTION 1542 PROTECTIONS. As of the Closing, each Forward OP Merger Entity expressly acknowledges that it has had, or has had and waived, the opportunity to be advised by independent legal counsel and hereby waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542 which provides:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Section 8.13 TIME OF THE ESSENCE. Time is of the essence with respect to all obligations under this Agreement.

Section 8.14 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 8.15 NO PERSONAL LIABILITY CONFERRED. This Agreement shall not create or permit any personal liability or obligation on the part of any officer, director, partner, employee or shareholder of the Operating Partnership or any Forward OP Merger Entity.

Section 8.16 AMENDMENTS. This Agreement may be amended by appropriate instrument, without the consent of any Forward OP Merger Entity, at any time prior to the Effective Time; *provided*, that no such amendment, modification or supplement shall be made that alters the amount or changes the form of the consideration to be delivered to a Forward OP Merger Agreement Entity, without the prior written consent of the Forward OP Merger Agreement Entity adversely affected by such proposed amendment, modification or supplement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to OP Forward Merger Agreement]

SOLANA BEACH TOWNE CENTRES INVESTMENTS, L.P.,
a California limited partnership

By: PACIFIC TOWNE CENTRE ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to OP Forward Merger Agreement]

PACIFIC SAN JOSE HOLDINGS, L.P.,
a California limited partnership

By: PACIFIC SAN JOSE ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to OP Forward Merger Agreement]

PACIFIC SORRENTO MESA HOLDINGS, L.P.,
a California limited partnership

By: PACIFIC SORRENTO MESA ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to OP Forward Merger Agreement]

HILLSIDE 104,
a California limited partnership

By: AMERICAN ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: Chief Executive Officer

[Signature Page to OP Forward Merger Agreement]

HILLSIDE 276,
a California limited partnership

By: AMERICAN ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: Chief Executive Officer

[Signature Page to OP Forward Merger Agreement]

DESERT HILLSIDE HOLDINGS, LLC,
a Delaware limited partnership

By: HILLSIDE 380,
a California general partnership
Its: General Partner

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its: Attorney-in-Fact

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to OP Forward Merger Agreement]

BWH HOLDINGS, LLC,
a Delaware limited liability company

By: PACIFIC SORRENTO MESA HOLDINGS, L.P.,
a California limited partnership
Its: Member

By: PACIFIC SORRENTO MESA ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

BWH HOLDINGS, LLC,
a Delaware limited liability company

By: PACIFIC STONECREST HOLDINGS, L.P.,
a California limited partnership
Its: Member

By: PACIFIC STONECREST ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to OP Forward Merger Agreement]

WAIKELE CENTER HOLDINGS, LP,
a California limited partnership

By: WAIKELE CENTER ASSETS, INC.,
a California corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to OP Forward Merger Agreement]

Schedule I

List of Forward OP Merger Entities:

1. Solana Beach Towne Centres Investments, L.P.
2. Pacific San Jose Holdings, L.P.
3. Pacific Sorrento Mesa Holdings, L.P.
4. Hillside 104, a California limited partnership
5. Hillside 276, a California limited partnership
6. Desert Hillside Holdings, LLC
7. BWH Holdings, LLC
8. Waikele Center Holdings, LP

List of Forward REIT Merger Entities:

1. Pacific Stonecrest Assets, Inc.
2. Pacific National City Assets, Inc.
3. Western Assets, Inc.
4. Pacific Towne Centre Assets, Inc.
5. Pacific Oceanside Assets, Inc.
6. Pacific San Jose Assets, Inc.
7. KMBC Assets, Inc.
8. Hero Retail, Inc.
9. Pacific Sorrento Valley Assets I, Inc.
10. Pacific Sorrento Mesa Assets, Inc.
11. Beach Walk Assets, Inc.
12. ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]
13. ICW Valencia, Inc.
14. Pacific Torrey Reserve Assets, Inc.
15. Landmark Assets, Inc.
16. Landmark One Market, Inc.
17. Pacific Novato Assets, Inc.
18. Waikele Center Assets, Inc.

List of OP Sub Forward Merger Entities:

1. Pacific Stonecrest Holdings, L.P.
2. Rancho Carmel Plaza, a California limited partnership
3. Pacific Oceanside Holdings, L.P.
4. Kearny Mesa Business Center, a California limited partnership
5. Del Monte Center Holdings, LP
6. Beach Walk Holdings, LP
7. ICW Plaza, L.P., a California limited partnership
8. ICW Valencia, L.P.
9. Desert Oceanside Holdings, LLC
10. San Diego Loma Palisades, L.P.

List of OP Sub Reverse Merger Entities:

1. Pacific Waikiki Holdings, L.P.
2. ABW Lewers LLC

3. King Street Holdings, LP
4. Loma Palisades, a California general partnership

List of REIT Sub Forward Merger Entities:

1. Pacific Del Mar Assets, Inc.
2. Pacific Carmel Mountain Assets, Inc.
3. Pacific Solana Beach Assets, Inc.
4. Pacific Waikiki Assets, Inc.
5. King Street Assets, Inc.
6. Pacific Sorrento Valley Assets II, Inc.
7. Pacific Santa Fe Assets, Inc.

List of Contributed Entities:

1. American Assets Trust Management, LLC
2. Winrad Vista Hacienda, a California general partnership
3. Vista Hacienda, a California limited partnership
4. Pacific American Assets Holdings, L.P., a California limited partnership
5. Carmel Country Plaza, L.P.
6. Pacific Carmel Mountain Holdings, L.P.
7. Pacific National City Holdings, L.P.
8. Pacific Solana Beach Holdings, L.P.
9. Pacific San Jose Holdings, L.P.
10. Winrad Kearny Mesa Business Center, a California general partnership
11. Pacific Sorrento Valley Holdings I, L.P.
12. Pacific Sorrento Mesa Holdings, L.P.
13. Beach Walk Holdings, LP
14. ICW Plaza, L.P., a California limited partnership
15. ICW Valencia, L.P.
16. Pacific Sorrento Valley Holdings II, L.P.
17. EBW Hotel LLC
18. Imperial Strand, a California limited partnership
19. Winrad Imperial Strand, a California general partnership
20. San Diego Loma Palisades, L.P.
21. Mariner’s Point, LLC
22. Pacific Santa Fe Holdings, L.P.

Schedule II

Reimbursement Agreements

1. Letter Agreement by and among American Assets, Inc. and the Property Entities (as defined therein) dated May 17, 2010

Schedule III

Calculation of Equity Value

For purposes of all Formation Transaction Documentation, "Equity Value" of any Target Asset directly or indirectly owned by the American Assets Entity subject to such agreement shall be calculated pursuant to the formula set forth below. Capitalized terms used in this Schedule III shall have the meanings set forth below and capitalized terms used herein without definition shall have the meanings assigned to such terms in the Agreement.

$$EV = EP \times [TFTV\text{-}TPA]+AA;$$

where:

EV = Equity Value;
EP = Equity Percentage;
TFTV= Total Formation Transaction Value;
TPA = Total Portfolio Adjustment; and
AA = Asset Adjustment;

provided, however, that if the resulting Equity Value for a Target Asset is a negative amount (a "Net Deficit"), then the REIT shall exercise one of the following options, as determined by the REIT in its sole and absolute discretion: (i) select the Target Asset as an Eliminated Asset or (ii) if one or more entities that are subject to the Formation Transaction Documentation that are the direct or indirect owners of such Target Asset would otherwise possess Excluded Assets the value of which in the aggregate would equal or exceed the amount of such Net Deficit, increase the Target Net Working Capital with respect to such entity or entities by the absolute value of such Net Deficit; and *provided further* that if the REIT shall have exercised option (ii) with respect to any Target Asset, the Equity Value with respect to such Target Asset shall be deemed to be equal to zero;

provided further, that if the Equity Value for ICW Valencia/Valencia Corporate Center as calculated above would result in the holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. having an amount of Allocated Shares, prior to the application of the Intercompany Debt Adjustments, that is less than the value of the Intercompany Debt owed by ICW Valencia, L.P. to ICW Plaza, L.P. (such shortfall being referred to as the "Intercompany Debt Shortfall"), then (i) Western Insurance Holdings, Inc. shall issue a promissory note with a term of three years to ICW Valencia, L.P. which shall be treated as an Asset Adjustment with respect to ICW Valencia/Valencia Corporate Center and such promissory note (the "WIH Note") shall have such face amount as shall be necessary to increase the Equity Value of ICW Valencia/Valencia Corporate Center such that the Allocated Shares of holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. shall increase by an amount, prior to the application of the Intercompany Debt Adjustments, equal to the Intercompany Debt Shortfall and (ii) the Equity Value for ICW Valencia/Valencia Corporate Center shall be recalculated to give effect to the Asset Adjustment attributable to the issuance of the WIH Note.

Attached as ***Appendix A*** to this Schedule III are illustrative calculations of Equity Value for a hypothetical portfolio of Target Assets.

"Actual Balance" shall mean: (i) with respect to each Existing Loan to be assumed in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such assumption and all assumption fees and any related expenses with respect to such Existing Loan; and (ii) with respect to each Existing Loan to be prepaid, repaid or refinanced in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such prepayment, repayment or refinancing and any related prepayment penalties and any related expenses; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Actual Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed. With respect to each Existing Loan to be assumed, prepaid, repaid or refinanced in connection with the Formation Transactions, the Actual Balance as of the Closing Date shall be determined by the REIT within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

"Asset Adjustment" shall mean with respect to each Target Asset and any Existing Loan relating to such Target Asset, an amount equal to the Base Balance minus the Actual Balance (expressed as a positive or negative number, as applicable) with respect to all Existing Loans relating to such Target Asset, and in the case of ICW Valencia/Valencia Corporate Center, the face value of the WIH Note shall be deemed to reduce the Actual Balance of the Existing Loan relating to ICW Valencia/Valencia Corporate Center.

"Base Balance" shall mean with respect to each Existing Loan, the principal amount of such Existing Loan set forth on ***Appendix C*** to this Schedule III; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Base Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Eliminated Asset" shall mean any Target Asset subject to the Formation Transaction Documentation that is excluded pursuant to the terms of the Formation Transaction Documentation from the Formation Transactions.

"Equity Percentage" shall mean with respect to each Target Asset, the percentage (expressed as a decimal) set forth opposite the name of such Target Asset on ***Appendix B*** to this Schedule III (which percentage is based on the Fairness Opinion of Duff & Phelps, LLC and represents such

Target Asset's percentage of the net asset values of the Target Assets (other than the Management Company) and the net equity value of the Management Company, taken as a whole); *provided*, *however*, that in the event a Target Asset is selected as or otherwise becomes for any reason an Eliminated Asset, then: (i) the Equity Percentage for each remaining Target Asset shall be recalculated as a fraction, the numerator of which is the original Equity Percentage for such remaining Target Asset and the denominator of which is (A) 100 minus (B) the original Equity Percentage of the Eliminated Asset; and (ii) the Equity Percentage of the Eliminated Asset shall be zero; and *provided*, *further*, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then, after giving effect to any Eliminated Assets pursuant to the preceding proviso, the Equity Percentage for such Target Asset and for each other remaining Target Asset subject directly or indirectly to the Formation Transaction Documentation shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Excluded Assets" has the meaning set forth in Section 5.03 to the Agreement.

"Existing Loan" shall mean (i) each mortgage or mezzanine loan secured by a Target Asset listed on ***Appendix C*** to this Schedule III and (ii) all unsecured indebtedness of an American Assets Entity or of an entity in which an American Assets Entity has a direct or indirect interest that will be assumed, prepaid, repaid or refinanced in connection with the IPO and that is set forth on ***Appendix D*** to this Schedule III (all indebtedness falling within the scope of this clause (ii) shall be referred to as "Entity Specific Debt"); for the avoidance of doubt, no Intercompany Debt shall constitute an Existing Loan (in order to avoid double counting, as Intercompany Debt is adjusted for through the definition of "Allocated Share"). Existing Entity Specific Debt will be deemed to relate to the Target Asset(s) and, if to multiple Target Assets, in the proportions set forth opposite the name of such Entity Specific Debt on ***Appendix D*** to this Schedule III, and all such Entity Specific Debt will be deemed to have a Base Balance of zero (because "Equity Percentage" as determined by Duff & Phelps, LLC was determined at the property level and did not take into account Entity Specific Debt, Entity Specific Debt is deemed to be zero in order to cause a readjustment of "Equity Value" of all Target Assets after taking into account such Entity Specific Debt).

"Target Asset" shall mean each property set forth on Appendix B to this Schedule III and the property management business of American Assets, Inc. (the "Management Company").

"Target Net Working Capital" has the meaning set forth in Schedule 5.03 to the Agreement.

"Total Portfolio Adjustment" shall mean the sum (which may be a positive or negative number) of all Asset Adjustments for every Target Asset, excluding Eliminated Assets.

"Total Formation Transaction Value" shall mean the aggregate dollar value of (i) the cash, (ii) the REIT Shares and (iii) the OP Units that are issued or issuable to all Pre-Formation Participants in the Formation Transactions as set forth in the Prospectus. Total Formation Transaction Value will be determined valuing REIT Shares and OP Units at a value per REIT Share or OP Unit equal to the IPO Price.

Appendix A to Schedule III

Worked Examples

The figures and calculations included in this ***Appendix A*** are for illustrative purposes only and are based on a hypothetical portfolio of properties. Neither the hypothetical Total Formation Transaction Value nor any of the other figures or calculations presented on ***Appendix A*** shall be binding on the REIT or the Operating Partnership, and should not be considered an indication of value of the American Assets Entities. The value of the American Assets Entities will ultimately be determined by the REIT in consultation with the underwriters of the IPO based on public investor demand and may be lower or higher than the hypothetical Total Formation Transaction Value shown on ***Appendix A***. In addition, the calculations in ***Appendix A*** assume that each of Target Assets in this hypothetical portfolio of properties will be wholly owned, directly or indirectly, by the REIT.

Example - Base Case

In the hypothetical examples shown below, the Target Assets that will be acquired by the REIT in the Formation Transactions consist of four shopping centers. The Total Formation Transaction Value, or "TFTV," for this entire portfolio of properties will be $400, absent the impact of certain potential adjustments described in the subsequent examples. Each Target Asset (i) is subject to a $25 mortgage, (ii) was determined by a third-party valuator to have a relative equity value equal to 25% of the entire portfolio and (iii) has two owners, each of whom has a 50% interest in the property.

Target Asset	Equity Percentage ("EP") (determined by 3rd party valuator)	Property Holding Companies & Ownership %
Shopping Center 1	25%	Company A (50%) Company B (50%)
Shopping Center 2	25%	Company C (50%) Company D (50%)
Shopping Center 3	25%	Company E (50%) Company F (50%)
Shopping Center 4	25%	Company G (50%) Company H (50%)
Total	100%	

Applying the Equity Value formula and assuming that there is no Entity Specific Debt and no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [400 - 0] + 0
Shopping Center 2	100 = 25% x [400 - 0] + 0
Shopping Center 3	100 = 25% x [400 - 0] + 0

Shopping Center 4	100 = 25% x [400 - 0] + 0
Total Equity Value	400

Example 2 – Mortgage Payoff

In this example, all of the facts described in the Base Case above are the same, except that prior to the completion of the Formation Transactions, the $25 mortgage on Shopping Center 1 is paid off such that at the time that Shopping Center 1 is acquired by the Operating Partnership it is not subject to any mortgage debt. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 1:

Property	**Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)**
Shopping Center 1	25 = 25 – 0
Shopping Center 2	0 = 25 – 25
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	25

In addition, by virtue of the reduction in the outstanding mortgage debt that will be assumed by the Operating Partnership in connection with the Formation Transactions, the Total Formation Transaction Value will have increased by the $25 value of the mortgage repayment from $400 to $425.

Applying the Equity Value formula reflecting these new facts and assuming that there is no Entity Specific Debt, the Equity Value of each of the four properties is as set forth below:

Property	**Equity Value = EP x [TFTV – TPA] + AA**
Shopping Center 1	125 = 25% x [425 - 25] + 25
Shopping Center 2	100 = 25% x [425 - 25] + 0
Shopping Center 3	100 = 25% x [425 - 25] + 0
Shopping Center 4	100 = 25% x [425 - 25] + 0
Total Equity Value	425

Example 3 – Entity Specific Debt

In this example, all of the facts described in the Base Case above are the same, except that Company C is subject to $25 of Entity Specific Debt related to Shopping Center 2, which will be assumed by the Operating Partnership upon the completion of the Formation Transactions. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 2:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	0 = 25 – 25
Shopping Center 2	-25 = 25 – 50
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	-25

In addition, by virtue of the assumption by the Operating Partnership of this Entity Specific Debt in connection with the Formation Transactions, the Total Formation Transaction Value will have decreased by the $25 value of the Entity Specific Debt from $400 to $375.

Applying the Equity Value formula reflecting these new facts and assuming that there is no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [375 - (-25)] + 0
Shopping Center 2	75 = 25% x [375 - (-25)] + (-25)
Shopping Center 3	100 = 25% x [375 - (-25)] + 0
Shopping Center 4	100 = 25% x [375 - (-25)] + 0
Total Equity Value	375

Here, through the operation of the Equity Value formula, all $25 of Company C's Entity Specific Debt has been allocated to Shopping Center 2 and has not impacted the Equity Value of the other Target Assets. However, without further adjustment, Company C and Company D, each as a 50% owner of Shopping Center 2, are equally burdened by Company C's Entity Specific Debt as show below:

	Company C	Company D
Allocated Share (unadjusted) of Equity Value before Inclusion of Entity Specific Debt:	50 = 100 x 50%	50 = 100 x 50%
Allocated Share (unadjusted) of Equity Value after Inclusion of Entity Specific Debt:	37.5 = 75 x 50%	37.5 = 75 x 50%
Decrease in Allocated Share (unadjusted) of Equity Value due to Inclusion of Entity Specific Debt:	12.5 = 50 - 37.5	12.5 = 50 - 37.5

Accordingly, by virtue of the operation of the Equity Value formula, Company C has only been allocated half ($12.5 of $25.0) of the Company C Entity Specific Debt obligation that should be allocated to Company C, and Company D has been allocated the remaining $12.5.

In order to address this inequitable allocation of Company C Entity Specific Debt , the definition of “Allocated Share” provides for an adjustment to (i) reduce the amount that would otherwise be payable to Company C by the amount by which the Entity Specific Debt exceeds the amount of such obligation that was previously allocated to Company C and (ii) increase the amount payable to Company D by the amount of the Entity Specific Debt obligation that was previously allocated to Company D, with the following outcome:

	Company A	Company B
Allocated Share (adjusted):	25 = 37.5 - 12.5	50 = 37.5 + 12.5

As a result of this adjustment to the Allocated Shares of Company C and Company D, the economic impact of all of Company C’s Entity Specific Debt will be allocated to Company C.

Example 4 – Intercompany Debt

In this example, all of the facts described in the Base Case above are the same, except that between the owners of Shopping Center 3, Company E has an Intercompany Debt obligation in the amount of $25 to Company F.

Prior to the application of the adjustments contained in the definition of Allocated Share, the Allocated Shares of the Owners of Shopping Center 3 would be as follows:

	Company E	Company F
Allocated Share (unadjusted):	50 = 100 x 50%	50 = 100 x 50%

To account for Intercompany Debt, the definition of "Allocated Share" provides an adjustment to (i) reduce the Allocated Share that would otherwise be payable to Company E by an amount equal to its indebtedness to Company F and (ii) increase the Allocated Share that would otherwise be payable to Company F by an amount equal to Company E's indebtedness to Company F, with the following outcome:

	Company E	Company F
Allocated Share (adjusted):	25 = 100 x 50% - 25	75 = 100 x 50% + 25

As a result of this adjustment to the Allocated Shares of Company E and Company F, the Intercompany Debt obligations between these entities have now been resolved.

Appendix B to Schedule III

Equity Percentage for Each Target Asset

Target Asset	Equity Percentage
Alamo Quarry Market	10.1916%
Carmel Country Plaza	4.8359%
Carmel Mountain Plaza	7.1580%
South Bay Marketplace	0.3157%
Lomas Santa Fe Plaza	6.5271%
Rancho Carmel Plaza	0.4388%
Solana Beach Towne Centre	5.6143%
The Shops at Kalakaua	0.2883%
Del Monte Center	5.7928%
Waikele Center	9.0461%
Waikiki Beach Walk	
Waikiki Beach Walk Retail	0.6668%
Embassy Suites at Waikiki Beach Walk	6.3419%
ICW Valencia/Valencia Corporate Center	1.7184%
Torrey Reserve	
ICW Plaza	2.0728%
Torrey Reserve North Court I & II	4.1456%
Torrey Reserve South Court I & II	4.7826%
Torrey Daycare	0.2370%
Torrey VC I-III	1.2492%
Existing Common Area – Future Development Parcel	0.3981%
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	2.2375%
Solana Beach Corporate Centre – III & IV	0.3116%
Solana Beach Towne Centres Investments (Vacant Land)	0.0686%
160 King Street	2.4814%
The Landmark at One Market	5.5594%
Fireman’s Fund Headquarters	9.6718%
Imperial Beach Gardens	0.6589%
Loma Palisades	2.5884%
Mariner’s Point	0.2745%
Santa Fe Park RV Resort	0.3873%
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	0.1235%
Sorrento Pointe	0.2471%
Management Company (American Assets Trust Management, LLC)	3.5690%
Total	100.0000%

Appendix C to Schedule III

Base Balance of Existing Loans
(other than Entity Specific Debt)

Target Asset	Base Balance of Existing Loan
Alamo Quarry Market	$ 98,954,256
Carmel Country Plaza	$ 10,271,191
Carmel Mountain Plaza	$ 63,554,812
South Bay Marketplace	$ 23,000,000
Lomas Santa Fe Plaza	$ 19,850,458
Rancho Carmel Plaza	$ 8,103,021
Solana Beach Towne Centre	$ 40,000,000
The Shops at Kalakaua	$ 19,000,000
Del Monte Center	$ 82,300,000
Waikele Center	$ 140,700,000
Waikiki Beach Walk	
Waikiki Beach Walk Retail	$ 145,742,438
Embassy Suites at Waikiki Beach Walk	$ 53,000,000
ICW Valencia/Valencia Corporate Center	$ 23,581,507
Torrey Reserve	
ICW Plaza	$ 43,000,000
Torrey Reserve North Court I & II	$ 22,299,822
Torrey Reserve South Court I & II	$ 13,059,008
Torrey Daycare	$ 1,673,363
Torrey VC I-III	$ 7,500,000
Existing Common Area – Future Development Parcel	$ 0
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	$ 12,000,000
Solana Beach Corporate Centre – III & IV	$ 37,330,000
Solana Beach Towne Centres Investments (Vacant Land)	$ 0
160 King Street	$ 42,223,428
The Landmark at One Market	$ 133,000,000
Fireman’s Fund Headquarters	$ 176,542,099
Imperial Beach Gardens	$ 20,000,000
Loma Palisades	$ 73,744,000
Mariner’s Point	$ 7,700,000
Santa Fe Park RV Resort	$ 1,878,876
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	$ 0
Sorrento Pointe	$ 0
Management Company (American Assets Trust Management, LLC)	$ 0
Total	$ 1,320,008,279

Appendix D to Schedule III

Entity Specific Debt

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to DHM Trust	Del Monte Center	$ 117,273.17
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,231,368.26
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pauline M. Foster, Trustee of Non-Exempt Trust C under the Stanley and Pauline Foster Trust, dated July 31, 1981	Del Monte Center	$ 527,729.26
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 377,577.46
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to American Assets, Inc.	Del Monte Center	$ 357,464.50
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Nora Kaufman	Del Monte Center	$ 34,325.00
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Parma Family Trust	Del Monte Center	$ 36,886.08
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,288,289.73
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Arsobro, LP	Del Monte Center	$ 158,971.11
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Foster Del Monte, LLC	Del Monte Center	$ 238,540.95
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Gerald I. Solomon	Del Monte Center	$ 9,534.62
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Solomon Family Partnership	Del Monte Center	$ 23,828.31
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust 2	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 309,768.37

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to Arsobro, LP	Del Monte Center	$ 116,391.99
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to American Assets, Inc.	Del Monte Center	$ 74,233.18
Total	**Del Monte Center**	**$ 4,926,009.93**
Second Amended and Restated Promissory Note A Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Sorrento Mesa Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 6,498,716.00
Second Amended and Restated Promissory Note B Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Stonecrest Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 3,983,084.00
Total	**Waikele Center**	**$ 10,481,800.00**
Unsecured loan from ESW LLC to the Embassy Suites at Waikiki Beach Walk*	Embassy Suites at Waikiki Beach Walk	$ 14,874,102.00
Total	**Embassy Suites at Waikiki Beach Walk**	**$ 14,874,102.00**
Loan Agreement, dated as of June 29, 2010, between Bank of America, N.A. and Landmark One Market	The Landmark at One Market	$ 23,000,000.00
Total	**The Landmark at One Market**	**$ 23,000,000.00**
Unsecured loan from ICW Valencia, L.P. to certain holders of interests in ICW Plaza, L.P.	Valencia Corporate Center	$ 418,770.00
Total	**Valencia Corporate Center**	**$ 418,770.00**

* Loan not issued pursuant to a formal promissory note.

Schedule IV

Intercompany Indebtedness

Intercompany Debt	Balance Outstanding as of June 30, 2010
Unsecured loan from American Assets, Inc. to Pacific Oceanside Holdings, L.P.*	$ 3,099,218
Unsecured loan from American Assets, Inc. to Kearny Mesa Business Center, L.P.*	$ 854,229
Promissory Note issued December 31, 2004 by American Assets, Inc. to Del Monte Center Holdings, LP	$ 1,785,680
Unsecured loan from American Assets, Inc. to Del Monte San Jose Holdings, LLC*	$ 1,854,631
Unsecured loan from American Assets, Inc. to Beach Walk Holdings, L.P.*	$ 2,861,766
Promissory Note issued December 31, 2004 by American Assets, Inc. to Solana Beach Towne Centre Investments, L.P.	$ 2,102,154
Promissory Note issued January 31, 2007 by American Assets, Inc. to ICW Plaza, L.P.	$ 7,748,809
Promissory Note issued December 31, 2004 by American Assets, Inc. to Pacific Stonecrest Holdings, L.P.	$ 901,116
Promissory Note issued December 31, 2004 by American Assets, Inc. to Rancho Carmel Plaza, L.P.	$ 305,370
Unsecured loan from American Assets, Inc. to Pacific Stonecrest Assets, Inc.*	$ 75,093
Promissory Note issued December 31, 2009 by American Assets, Inc. to Imperial Strand, L.P.	$ 1,364,104
Promissory Note issued December 31, 2004 by American Assets, Inc. to Loma Palisades, G.P.	$ 1,021,324
Total	**$ 23,973,494**
Promissory Note issued December 31, 2009 by Ernest Rady Trust U/D/T March 10, 1983, as amended, to American Assets, Inc	$ 14,144,458
Promissory Note issued December 19, 2007 by Pacific American Assets Holdings, L.P., to American Assets, Inc	$ 28,934,000
Promissory Note issued December 31, 2004 by Winrad Kearny Mesa Business Center, G.P. to American Assets, Inc	$ 757,906
Total	**$ 43,836,364**
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 1,055,458.51

Intercompany Debt	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 514,693.48
Total	**$ 1,570,152**

* Loan not issued pursuant to a formal promissory note.

Schedule 3.01(b)

List of Operating Partnership Subsidiaries

Owner	Ownership Interest
American Assets Trust Services, Inc.	
American Assets Trust, L.P.	100%
Vista Hacienda LLC	
American Assets Trust, L.P.	100%
Pacific Stonecrest Holdings LLC	
American Assets Trust, L.P.	100%
Rancho Carmel Plaza LLC	
American Assets Trust, L.P.	100%
Pacific Waikiki Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Pacific Oceanside Holdings LLC	
American Assets Trust, L.P.	100%
Kearny Mesa Business Center LLC	
American Assets Trust, L.P.	100%
Del Monte Center Holdings LLC	
American Assets Trust, L.P.	100%
Beach Walk Holdings LLC	
American Assets Trust, L.P.	100%
ABW Lewers Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Plaza Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Valencia LLC	
American Assets Trust, L.P.	100%
King Street Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Waikiki Beach Walk Hotel Lessee (indirect Subsidiary)	
American Assets Trust Services, Inc.	100%
Imperial Strand LLC	
American Assets Trust, L.P.	100%
Loma Palisades Merger Sub LLC	
American Assets Trust, L.P.	100%
Loma Palisades GP LLC	
American Assets Trust, L.P.	100%

Schedule 4.01(b)

List of Forward OP Merger Entity Subsidiaries

Owner	Percentage Ownership Interest
SBTC Assets, Inc. 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH TOWNE CENTRE**	
Solana Beach Towne Centres Investments, L.P.	100
SB Towne Centre, LLC 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH TOWNE CENTRE**	
SBTC Assets, Inc. Solana Beach Towne Centres Investments, L.P.	1 99
SBTC Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH TOWNE CENTRE**	
SB Towne Centre, LLC	100
Del Monte San Jose Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Pacific San Jose Holdings, L.P.	100
Del Monte – DMSJH, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Del Monte San Jose Holdings, LLC	100
Broadway 101 Sorrento Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Sorrento Mesa Holdings, L.P.	100
Broadway 225 Sorrento Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Sorrento Mesa Holdings, L.P.	100
Waikele 101 Sorrento, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Broadway 101 Sorrento Holdings, LLC	100
Waikele 225 Sorrento, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA	

Owner	Percentage Ownership Interest
WAIKELE CENTER	
Broadway 225 Sorrento Holdings, LLC	100
SBCC Assets, Inc. 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH CORPORATE CENTRE I & II**	
Solana Beach Towne Centres Investments, L.P.	100
SB Corporate Centre, LLC 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH CORPORATE CENTRE I & II**	
SBCC Assets, Inc.	1
Solana Beach Towne Centres Investments, L.P.	99
SBCC Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH CORPORATE CENTRE I & II**	
SB Corporate Centre, LLC	100
SB Corporate Center III-IV, LLC 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH CORPORATE CENTRE III & IV**	
Solana Beach Towne Centres Investments, L.P.	100
Hillside 380, a California general partnership 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Hillside 104, a California limited partnership	30
Hillside 276, a California limited partnership	70
Desert Hillside Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Hillside 380, a California general partnership	100
King Desert Hillside, LLC 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Desert Hillside Holdings, LLC	100
Pacific Firecreek Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **THE LANDMARK AT ONE MARKET**	
Hillside 380, a California general partnership	100
Landmark FireHill Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA	

Owner	Percentage Ownership Interest
THE LANDMARK AT ONE MARKET	
Pacific Firecreek Holdings, LLC	100
BWH Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Pacific Sorrento Mesa Holdings, L.P.	62
Pacific Stonecrest Holdings, L.P.	38
EBW Hotel LLC 2375 Kuhio Avenue, Honolulu, HI **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
BWH Holdings, LLC	51.22
ESW LLC	48.78
Waikele Venture Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Waikele Center Holdings, LP	100

Schedule 4.03

Capitalization

Owner	Percentage Ownership Interest
Solana Beach Towne Centres Investments, L.P.	
Pacific Towne Centre Assets, Inc.	50
Stuart C. Gildred Trust	19.5
Propco, L.P.	28.5
Propco Investments LLC	2
Pacific San Jose Holdings, L.P.	
Pacific San Jose Assets, Inc.	26.6666
Arthur Brody, Trustee of the Arthur and Sophie Brody Revocable Trust, dated April 13, 1989	4.4444
Patricia Matsuo	1.1111
DHM Trust	1.1111
DHM 2 Trust	1.1111
Ernest Rady Trust U/D/T March 10, 1983, as amended	2.2222
Gaidebro Holdings, Inc., a Canadian corporation	2.2222
Gerald I. Solomon	0.8892
Guyencourt Land Company, Inc.	2.2222
Haas Family Trust	2.2222
Marblank Investments Inc.	2.2222
The G.A. McPherson Irrevocable Trust	1.1111
Pacific American Assets Holdings, L.P., a California limited partnership	48
Solomon Family Partnership	2.2222
The Murray Salzberg Trust	2.2222
Pacific Sorrento Mesa Holdings, L.P.	
Pacific Sorrento Mesa Assets, Inc.	20.4621
Ernest Rady Trust U/D/T March 10, 1983, as amended	33.2337
Philip L. Elkus Trust	0.5093
The Stanley and Maxine Firestone Trust, dated December 2, 1988	4.009
Arsobro, LP	5.5591
Parma Family Limited Partnership	16.0359
Gaidebro Holdings, Inc., a Canadian corporation	0.8018
Haas Family Trust	2.3322
Marblank Investments Inc.	1.6036
Elkus Enterprises	3.2132

Owner	Percentage Ownership Interest
Non-Exempt Trust C Under the Stanley & Pauline Foster Trust	7.2161
Grand Todd LLC	4.8047
David Elkus	0.2193
Hillside 104, a California limited partnership	
American Assets, Inc.	51
Ernest Rady Trust U/D/T March 10, 1983, as amended	49
Hillside 276, a California limited partnership	
American Assets, Inc.	51
Ernest Rady Trust U/D/T March 10, 1983, as amended	49
Desert Hillside Holdings, LLC	
Hillside 380, a California general partnership	100
BWH Holdings, LLC	
Pacific Sorrento Mesa Holdings, L.P.	62
Pacific Stonecrest Holdings, L.P.	38
Waikele Center Holdings, LP	
Waikele Center Assets, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	97
John W. Chamberlain	2

Schedule 4.08(a)

Title Insurance

Only the following Properties have an associated owner's policy of title insurance:

Property	Beneficiary
Del Monte Center	Pacific Oceanside Holdings, LP Del Monte San Jose Holdings, LLC Kearny Mesa Business Center, a California limited partnership Del Monte Center Holdings, LP
160 King Street	King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC
The Landmark at One Market	Landmark Venture Holdings, LLC Landmark FireHill Holdings, LLC
Waikiki Beach Walk – Hotel	EBW Hotel LLC Waikele Venture Holdings, LLC Broadway 225 Sorrento Holdings, LLC Broadway 225 Stonecrest Holdings, LLC

Schedule 4.12

Existing Loans

Property	Borrower / Loan Number	Lender or Servicer
Solana Beach Towne Center	SBTC Holdings, LLC / 30264324	Midland Loan Services
Del Monte Center	Del Monte – DMSJH , LLC / 991074035 Del Monte – DMCH, LLC / 991074036 Del Monte – KMBC, LLC / 991074037 Del Monte – POH, LLC / 991073858	Berkadia Commercial Mortgage
Waikele Center	Borrowers Waikele Reserve West Holdings, LLC Waikele 101 Sorrento, LLC Waikele 225 Sorrento, LLC Waikele 101 Stonecrest, LLC Waikele 225 Stonecrest, LLC Loan Numbers 85-0201693, 51-0901990, 85-0201695, 51-0902277, 85-0201696, 51-0902278, 85-0201697, 51-0902279	Wells Fargo Commercial Mortgage Services
Solana Beach Corporate Center I & II	SBCC Holdings, LLC / 30264325	Midland Loan Services
Solana Beach Corporate Center III & IV	SB Corporate Centre III-IV, LLC / 991068648	Berkadia Commercial Mortgage
160 King Street	Borrowers King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC Loan Number 330063200	Cohen Financial
The Landmark at One Market	Landmark FireHill Holdings, LP / 70-0400471 Landmark Ventures Holdings, LLC / 70-0400470	Wells Fargo Commercial Mortgage Services
Waikiki Beach Walk – Hotel	Borrowers EBW Hotel LLC	Bank of Hawaii, First Hawaiian Bank, Central

Property	Borrower / Loan Number	Lender or Servicer
	Waikele Venture Holdings, LLC Broadway 225 Sorrento Holdings, LLC Broadway 225 Stonecrest Holdings, LLC Loan Number 00050082287	Pacific Bank & American Savings Bank

Schedule 4.13

Franchise Agreement

1. Franchise License Agreement by and between Promus Hotels, Inc. and Outrigger Hotels Hawaii dated as of January 25, 2005

Schedule 4.15

Taxes

1. For U.S. federal income tax purposes, each of SBTC Assets, Inc., a Subsidiary of Solana Beach Towne Centres Investments, L.P., and SBCC Assets, Inc., a Subsidiary of Solana Beach Towne Centres Investments, L.P., has been treated as a corporation.

Schedule 4.21

Ownership of Certain Assets

Solana Beach Towne Centres Investments, L.P.
SBTC Assets, Inc.
SB Towne Centre, LLC
SBTC Holdings, LLC
SBCC Assets, Inc.
SB Corporate Centre, LLC
SBCC Holdings, LLC
SB Corporate Centre III-IV, LLC

Pacific San Jose Holdings, L.P.
Del Monte San Jose Holdings, LLC
Del Monte–DMSJH, LLC

Pacific Sorrento Mesa Holdings, L.P.
Broadway 101 Sorrento Holdings, LLC
Broadway 225 Sorrento Holdings, LLC
Waikele 101 Sorrento, LLC
Waikele 225 Sorrento, LLC

Hillside 104, a California limited partnership
Hillside 380, a California general partnership
King Desert Hillside, LLC
Pacific Firecreek Holdings, LLC
Landmark FireHill Holdings, LLC

Hillside 276, a California limited partnership
Hillside 380, a California general partnership
King Desert Hillside, LLC
Pacific Firecreek Holdings, LLC
Landmark FireHill Holdings, LLC

Desert Hillside Holdings, LLC
King Desert Hillside, LLC

BWH Holdings, LLC
[None]

Waikele Center Holdings, L.P.
Waikele Venture Holdings, LLC

Schedule 5.03

Excluded Assets

Excluded Assets consist of any excess of Net Working Capital over Target Net Working Capital. "Net Working Capital" means current assets minus current liabilities of the relevant entity as of a date within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow. Any Excluded Assets consisting of any excess of Net Working Capital of Target Working Capital shall be distributed or paid to Pre-Formation Participants promptly after consummation of the IPO after determination by the REIT. The REITs determination of such amount shall be final and binding on all Pre-Formation Participants.

"Target Net Working Capital" means zero with respect to all entities, other than ABW Lewers, LLC; EBW Hotel, LLC; Broadway 225 Sorrento Holdings, LLC; Broadway 225 Stonecrest Holdings, LLC; and Waikele Venture Holdings, LLC, for which Target Net Working Capital will be $5,000,000, $2,050,000, $766,500, $470,000 and $1,713,500, respectively; *provided*, *however* that if the REIT adjusts Target Net Working Capital pursuant to the proviso in the first paragraph of Schedule III, Target Net Working Capital shall be such adjusted amount.

EXHIBITS

Exhibit A: **Formation Transaction Documentation**

Exhibit B: **Operating Partnership Agreement**

Exhibit C: **Form of Registration Rights Agreement**

Exhibit D: **Order of Mergers**

Exhibit E: **Form of Tax Protection Agreement**

Exhibit F: **Lock-Up Agreement**

Exhibit A

Formation Transaction Documentation

Form of Forward REIT Merger Agreement

Form of REIT Sub Forward Merger Agreement

Form of Forward OP Merger Agreement

Form of OP Sub Forward Merger Agreement

Form of OP Sub Reverse Merger Agreement

Form of OP Contribution Agreement

Form of OP Sub Contribution Agreement

Form of Alternate Contribution Agreement

Form of Tax Protection Agreement

Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.

Registration Rights Agreement

Representation, Warranty and Indemnity Agreement

Indemnity Escrow Agreement

Lock-Up Agreement

Articles of Amendment and Restatement of American Assets Trust, Inc.

Bylaws of American Assets Trust, Inc.

Management Business Contribution Agreement

Exhibit B

Operating Partnership Agreement

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMERICAN ASSETS TRUST, L.P.

a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [_____], 2010

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Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [_____], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [_____], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

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

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

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

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

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares

issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided*, *however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

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

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

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

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

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

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

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

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

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

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

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

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

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

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

"*Common Unit Economic Balance*" means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner's Partnership Common Units.

"*Consent*" means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms "*Consented*" and "*Consenting*" have correlative meanings.

"*Consent of the General Partner*" means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

"*Consent of the Limited Partners*" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

"*Consent of the Partners*" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided*, *however*, that, if any such action affects only certain classes or series of Partnership Interests, "Consent of the Partners" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

"*Constituent Person*" has the meaning set forth in Section 16.9.F hereof.

"*Contributed Property*" means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a "new" partnership pursuant to Code Section 708).

"*Controlled Entity*" means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits and (d) any limited liability company

of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

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

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

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

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

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Family Members*" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

"*Final Adjustment*" has the meaning set forth in Section 10.3.B(2) hereof.

"*Flow-Through Partners*" has the meaning set forth in Section 3.4.C hereof.

"*Flow-Through Entity*" has the meaning set forth in Section 3.4.C hereof.

"*Forced Conversion*" has the meaning set forth in Section 16.9.C hereof.

"*Forced Conversion Notice*" has the meaning set forth in Section 16.9.C hereof.

"*Fourteen-Month Period*" means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party's first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

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

"*General Partner*" means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on Exhibit A, as such Exhibit A may be amended from time to time, in such Person's capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

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

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

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

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

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

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

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

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

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the

appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

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

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

"*LTIP Units*" means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

"*Majority in Interest of the Limited Partners*" means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

"*Majority in Interest of the Partners*" means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

"*Market Price*" has the meaning set forth in the definition of "*Value*."

"*Maryland Courts*" has the meaning set forth in Section 15.9.B hereof.

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss" shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss," shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

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

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

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

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

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

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

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

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

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt

were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

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

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established within ten (10) Business Days of the record date for the determination of the existence of such Partnership Approval, then Partnership Approval shall be deemed not to exist with respect to the event constituting such General Partner Interest Transfer.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in

Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

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

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided*, *however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

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

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"*SDAT*" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a

"taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT

Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation*. The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name*. The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office*. The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such

other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

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

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

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

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term*. The term of the Partnership commenced on [_____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities*. All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business*. The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified*. The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a "partnership at will" (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the

meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an

individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

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

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing

services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to

the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment

Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the General Partner shall sell to such Partnership Subsidiary), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the Partnership Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

D. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares*.

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the same as the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares ("*Partnership Equivalent Units*") equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the

Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares*. Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its

sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term "Partnership Year" may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

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

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

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

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being

allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4)

and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. Allocation of Excess Nonrecourse Liabilities. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

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

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

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

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

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

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

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

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

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating

to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

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

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

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

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

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

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

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

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

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is

entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several,

expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

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

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

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

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

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

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

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

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

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

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

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

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

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

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets.* Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been

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

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such

opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

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

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner*. No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year*. For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns*. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections*. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

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

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a "notice partner" (as defined in Code Section 6231) or a member of a "notice group" (as defined in Code Section 6223(b)(2));

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

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

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

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

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

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

Section 10.4 *Withholding*. Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan

if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses*. The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any

other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. The General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its stockholders (each of a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of

its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided, however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided, further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided, however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided, further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided, however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by

the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within

the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be

subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions.*

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii)

in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner*. A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate Consent of the Limited Partners or the consent or approval of any other Partners. Any such

successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission

shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership*. For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners*. Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission.* A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution*. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

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

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

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

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

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

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution*. Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax

purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders*. Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution*. In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership*. Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up*. A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided, however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS
OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners*. The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments*. Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the

proposal; *provided, however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action, (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion,

redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided, however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or

restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice*. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions*. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as

specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals*. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action*. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver*.

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

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided*, *however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided*, *further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts*. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

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

event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement*. This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions*. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status*. Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, however, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition*. No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby*. The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third

party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders*. Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation*. A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting*.

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, no consideration or other payment shall be due

with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments*. The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP

Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations*. Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers*. Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption*. The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend*. Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units

covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be

reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special

allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting*. LTIP Unit Limited Partners shall (a) have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter. So long as any LTIP Units remain outstanding and except as provided in Section 16.3, the Partnership shall not, without the Consent of the Limited Partners holding a majority of the LTIP Units held by Limited Partners at the time (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of the Agreement applicable to LTIP Units so as to materially and adversely affect any right, privilege or voting power of the LTIP Units or the LTIP Unit Limited Partners as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners holding Partnership Common Units; but subject, in any event, to the following provisions: (i) with respect to any Transaction, so long as the LTIP Units are treated in accordance with Section 16.9.F hereof, the consummation of such Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such; and (ii) any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Partnership Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such. The foregoing voting provisions will not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted or provision is made for such conversion to occur as of or prior to such time into Partnership Common Units.

Section 16.11 *Section 83 Safe Harbor*. Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such

election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: _____
Name:
Its:

LIMITED PARTNER:

[,
a],

By: _____
Name:
Its:

LIMITED PARTNER:

_____
Name:

As of [ ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	**Partnership Units (Type and Amount)**
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL:	[ ] Partnership Common Units

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [_____] is 1.0 and (b) on [_____] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

_____

_____

_____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [ ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: _____

Name of Limited Partner or Assignee:

_____

_____
(Signature of Limited Partner or Assignee)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to:

_____

Please insert social security
or identifying number:

_____

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT
LTIP UNITS INTO PARTNERSHIP COMMON UNITS

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____
Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

_____
(Signature of Holder)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to: _____

Please insert social security
or identifying number: _____

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

Exhibit C

Form of Registration Rights Agreement

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [_____], 2010 by and among American Assets Trust, Inc., a Maryland corporation (the "Company"), and the holders listed on Schedule I hereto (each an "Initial Holder" and, collectively, the "Initial Holders").

RECITALS

WHEREAS, in connection with the initial public offering (the "IPO") of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), the Company and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), have concurrently engaged in certain formation transactions (the "Formation Transactions"), pursuant to which the Initial Holders have concurrently received, in exchange for their (or certain related parties') respective interests in the entities participating in the Formation Transactions or in exchange for services rendered, (i) common units of limited partnership interest in the Operating Partnership ("Common OP Units") and/or (iii) shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions contained in the Operating Partnership Agreement (as defined below), Common OP Units will be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock;

WHEREAS, as a condition to receiving the consent of the Initial Holders to the Formation Transactions, the Company has agreed to grant the Initial Holders and their permitted assignees and transferees the registration rights set forth in Article II hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the definitions set forth above, the following terms, as used herein, have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Registration Rights Agreement, as it may be amended, supplemented or restated from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, New York or San Diego, California are authorized by law to close.

"Charter" means the Articles of Amendment and Restatement of the Company as filed with the Secretary of State of the State of Maryland on [_____], 2010, as the same may be amended, modified or restated from time to time.

"Commission" means the Securities and Exchange Commission.

"Company Piggy-Back Registration" has the meaning set forth in Section 2.1(a).

"Effectiveness Period" has the meaning set forth in Section 2.4(b).

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

"Exchangeable Common OP Units" means Common OP Units which may be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock pursuant to the Operating Partnership Agreement (without regard to any limitations on the exercise of such exchange right as a result of the Ownership Limit Provisions).

"Holder" means (i) any Initial Holder who is the record or beneficial owner of any Registrable Security or (ii) any assignee or transferee of such Initial Holder (including assignments or transfers of Registrable Securities to such assignees or transferees as a result of the foreclosure on any loans secured by such Registrable Securities) (x) to the extent permitted under the Operating Partnership Agreement or the Charter, as applicable, and (y) provided such assignee or transferee agrees in writing to be bound by all the provisions hereof.

"Indemnified Party" has the meaning set forth in Section 2.10.

"Indemnifying Party" has the meaning set forth in Section 2.10.

"Initial Period" means a period commencing on the date hereof and ending 365 days following the effective date of the first Resale Shelf Registration Statement (except that, if the shares of Common Stock issuable upon exchange of Exchangeable Common OP Units received in the Formation Transactions are not included in that Resale Shelf Registration Statement as a result of Section 2.4(b), the 365 days shall not begin until the later of the effective date of (i) the first Resale Shelf Registration Statement and (ii) the first Issuer Shelf Registration Statement).

"Issuer Shelf Registration Statement" has the meaning set forth in Section 2.4(b).

"Market Value" means, with respect to the Common Stock, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date of a written request for registration pursuant to Section 2.1(a). The market price for each such

trading day shall be: (i) if the Common Stock is listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, in either case as reported in the principal consolidated transaction reporting system, (ii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the Company, or (iii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Market Value of the Common Stock shall be determined by the Board of Directors of the Company acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"Notice and Questionnaire" means a written notice, substantially in the form attached as Exhibit A, delivered by a Holder to the Company (i) notifying the Company of such Holder's desire to include Registrable Securities held by it in a Resale Shelf Registration Statement, (ii) containing all information about such Holder required to be included in such registration statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto, and (iii) pursuant to which such Holder agrees to be bound by the terms and conditions hereof.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of [_____], 2010, as the same may be amended, modified or restated from time to time.

"Ownership Limit Provisions" mean the various provisions of the Company's Charter set forth in Article [__] thereof restricting the ownership of Common Stock by Persons to specified percentages of the outstanding Common Stock.

"Person" means an individual or a corporation, partnership, limited liability company, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Rady Demand Registration" has the meaning set forth in Section 2.1(a).

"Rady Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Rady Holder" means a Holder that is Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or

the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns.

"Rady Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Registrable Securities" means with respect to any Holder, shares of Common Stock owned, either of record or beneficially, by such Holder that were (a) received by such Holder or an Initial Holder in the Formation Transactions, (b) acquired by such Holder or an Initial Holder directly from the Underwriters or the Company in the IPO, in each case in a transaction disclosed in the registration statement relating to the IPO, (c) issued or issuable upon exchange of Exchangeable Common OP Units received by such Holder or an Initial Holder in the Formation Transactions, (d) solely in the case of any Rady Holder, any Common Stock acquired by such Rady Holder in the open market after the date hereof and prior to the first (1st) anniversary of the date hereof, and, (e) in the case of (a), (b), (c) and (d), any additional shares of Common Stock issued as a dividend or distribution on, in exchange for, or otherwise in respect of, such shares (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or otherwise).

As to any particular Registrable Securities, they shall cease to be Registrable Securities at the earliest time as one of the following shall have occurred: (i) a registration statement (including a Resale Shelf Registration Statement) covering such shares has been declared effective by the Commission and all such shares have been disposed of pursuant to such effective registration statement or unless such shares (other than Restricted Shares) were issued pursuant to an effective registration statement (including an Issuer Shelf Registration Statement), (ii) such shares have been publicly sold under Rule 144, (iii) all such shares may be sold in one transaction pursuant to Rule 144 or (iv) such shares have been otherwise transferred in a transaction that constitutes a sale thereof under the Securities Act, the Company has delivered to the Holder's transferee a new certificate or other evidence of ownership for such shares not bearing the Securities Act restricted stock legend and such shares subsequently may be resold or otherwise transferred by such transferee without registration under the Securities Act.

"Registration Expenses" shall have the meaning set forth in Section 2.2.

"Resale Shelf Registration" shall have the meaning set forth in Section 2.4(a).

"Resale Shelf Registration Statement" shall have the meaning set forth in Section 2.4(a).

"Restricted Shares" means shares of Common Stock issued under an Issuer Shelf Registration Statement which if sold by the holder thereof would constitute "restricted securities" as defined under Rule 144.

"Rule 144" means Rule 144 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Rule 415" means Rule 415 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Securities Act" means the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act pursuant to the terms hereof.

"Shelf Registration Statement" means a Resale Shelf Registration Statement and/or an Issuer Shelf Registration Statement.

"Suspension Notice" means any written notice delivered by the Company pursuant to Section 2.14 with respect to the suspension of rights under a Resale Shelf Registration Statement or any prospectus contained therein.

"Underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

ARTICLE II
REGISTRATION RIGHTS

Section 2.1. Underwritten Demand Registration.

(a) Commencing on or after the date that is three hundred sixty five (365) days after the consummation date of the IPO and until such time as a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) has been declared effective, or if at any time on or after the date that is sixteen (16) months after the consummation date of the IPO, a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) shall not be effective, the majority in interest of the Rady Holder(s) may make written requests to the Company for one or more registrations of underwritten offerings under the Securities Act of all or part of their Common Stock constituting Registrable Securities (a "Rady Demand Registration"). The Company shall prepare and file a registration statement on an appropriate form with respect to any Rady Demand Registration (the "Rady Demand Registration Statement") and shall use its reasonable efforts to cause the Rady Demand Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof. Any request for a Rady Demand Registration will specify the number of shares of Registrable Securities proposed to be sold in the underwritten offering. The Company shall have the opportunity to register such number of shares of Common Stock as it may elect on the Rady Demand Registration Statement and as part of the same underwritten offering in connection with a Rady Demand Registration (a "Company Piggy-Back Registration"). Unless a majority in interest of the Rady Holders participating in such Rady Demand Registration shall consent in writing, no party, other than the Company, shall be permitted to offer securities in connection with any such Rady Demand Registration.

(b) Underwriters. The Company shall select the book-running managing Underwriter in connection with any Rady Demand Registration; provided that such managing Underwriter must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration. The Company may select any additional investment banks and managers to be used in connection with the offering; provided that such additional investment bankers and managers must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration.

Section 2.2. Piggy-Back Registration. If the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock by the Company for its own account (other than (i) any registration statement filed in connection with a demand registration by a party other than a Rady Holder or (ii) a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission) or filed in connection with an exchange offer or offering of securities solely to the Company's existing securityholders), then the Company shall give written notice of such proposed filing to the Rady Holders as soon as practicable (but in no event less than ten (10) days before the anticipated filing date), and such notice shall offer such Rady Holders the opportunity to register such number of shares of Registrable Securities as each such Rady Holder may request (a "Rady Piggy-Back Registration"); provided, that if and so long as a Shelf Registration Statement is on file and effective, then the Company shall have no obligation to effect a Rady Piggy-Back Registration. The Company shall use its commercially reasonable efforts to cause the managing Underwriter(s)of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Rady Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company included therein.

Section 2.3. Reduction of Offering. Notwithstanding anything contained in Sections 2.1 and 2.2, if the managing Underwriter(s) of an offering described in Section 2.1 or 2.2 advise in writing the Company and the Rady Holders that the size of the intended offering is such that the success of the offering would be significantly and adversely affected by inclusion of (i) the Registrable Securities requested to be included by the Rady Holders in a Rady Piggy-Back Registration or (ii) the Common Stock requested to be included by the Company in a Rady Demand Registration/Company Piggy-Back Registration, then: (x) in the case of a Rady Demand Registration/ Company Piggy-Back Registration, the amount of the Common Stock to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering;and (y) in the caseof a Rady Piggy-Back Registration, the amount of securities to be offered for the accounts of Rady Holders shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Rady Holders shall not be reduced to less than thirty percent (30%) of the total number of securities to be included in such offering.

Section 2.4. Shelf Registration.

(a) Subject to Section 2.14, the Company shall prepare and file not later than fourteen (14) months after the consummation date of the IPO, a "shelf" registration statement with respect to the resale of the Registrable Securities ("Resale Shelf Registration") by the Holders thereof on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration Statement") and permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Resale Shelf Registration Statement. The Company shall use its reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof, and, subject to Sections 2.4(d) and 2.14, to keep such Resale Shelf Registration Statement continuously effective for a period ending when all shares of Common Stock covered by the Resale Shelf Registration Statement are no longer Registrable Securities.

At the time the Resale Shelf Registration Statement is declared effective, each Holder that has delivered a duly completed and executed Notice and Questionnaire to the Company on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of Registrable Securities in accordance with applicable law. If required by applicable law, subject to the terms and conditions hereof, after effectiveness of the Resale Shelf Registration Statement, the Company shall file a supplement to such prospectus or amendment to the Resale Shelf Registration Statement not less than once a quarter as necessary to name as selling securityholders therein any Holders that provide to the Company a duly completed and executed Notice and Questionnaire and shall use reasonable efforts to cause any post-effective amendment to such Resale Shelf Registration Statement filed for such purpose to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof.

(b) The Company may, at its option, satisfy its obligation to prepare and file a Resale Shelf Registration Statement pursuant to Section 2.4(a) with respect to shares of Common Stock issuable upon exchange of Exchangeable Common OP Units by preparing and filing with the Commission not later than fourteen (14) months after the consummation date of the IPO a registration statement on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (an "Issuer Shelf Registration Statement") providing for (i) the issuance by the Company, from time to time, to the Holders of such Exchangeable Common OP Units, of shares of Common Stock registered under the Securities Act (the "Primary Shares") and (ii) to the extent such Primary Shares constitute Restricted Shares, the registered resale thereof by their Holders from time to time in accordance with the methods of distribution elected by the Holders and set forth therein (but except as provided in Section 2.4(c) below, not an underwritten offering). The Company shall use its reasonable efforts to cause the Issuer Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after filing thereof and, subject to Sections 2.4(d) and 2.14, to keep the Issuer Shelf Registration Statement continuously effective for a period (the "Effectiveness Period") expiring on the date all of the shares of Common Stock covered by such Issuer Shelf Registration Statement have been issued by the Company pursuant thereto or are no longer Registrable Securities. If the Company shall exercise its rights under this Section 2.4(b), Holders (other than Holders of Restricted Shares) shall have

no right to have shares of Common Stock issued or issuable upon exchange of Exchangeable Common OP Units included in a Resale Shelf Registration Statement pursuant to Section 2.4(a).

(c) Underwritten Registered Resales. Any offering under a Resale Shelf Registration Statement or by Holders under an Issuer Shelf Registration Statement shall be underwritten at the written request of Holders of Registrable Securities under such registration statement that hold in the aggregate at least ten percent 10% of the Registrable Securities originally issued in the Formation Transactions (provided, that the Registrable Securities requested to be registered in such underwritten offering shall either (i) have a Market Value of at least $25,000,000 on the date of such request or (ii) shall represent all remaining Registrable Securities held by all Rady Holders and shall have a Market Value of at least $10,000,000 on the date of such request; provided, further, that the Company shall not be obligated to effect more than three (3) underwritten offerings under this Section 2.4(c); and provided, further, that the Company shall not be obligated to effect, or take any action to effect, an underwritten offering (i) within 120 days following the last date on which an underwritten offering was effected pursuant to this Section 2.4(c) or Section 2.1(a) or during any lock-up period required by the Underwriters in any prior underwritten offering conducted by the Company on its own behalf or on behalf of selling stockholders, or (ii) during the period commencing with the date thirty (30) days prior to the Company's good faith estimate of the date of filing of (provided the Company is actively employed in good faith commercially reasonable efforts to file such registration statement), and ending on a date ninety (90) days after the effective date of, a registration statement with respect to an offering by the Company. Any request for an underwritten offering hereunder shall be made to the Company in accordance with the notice provisions of this Agreement.

(d) Subsequent Filing. The Company shall prepare and file such additional registration statements as necessary every three (3) years and use its reasonable efforts to cause such registration statements to be declared effective by the Commission so that a Shelf Registration Statement remains continuously effective, subject to Section 2.14, with respect to resales of Registrable Securities as and for the periods required under Section 2.4(a) or (b), as applicable (such subsequent registration statements to constitute a Resale Shelf Registration Statement or an Issuer Shelf Registration Statement, as the case may be, hereunder).

(e) Selling Holders Become Party to Agreement. Each Holder acknowledges that by participating in its registration rights pursuant to this Agreement, such Holder will be deemed a party to this Agreement and will be bound by its terms, notwithstanding such Holder's failure to deliver a Notice and Questionnaire; provided, that any Holder that has not delivered a duly completed and executed Notice and Questionnaire shall not be entitled to be named as a Selling Holder in, or have the Registrable Securities held by it covered by, a Shelf Registration Statement.

Section 2.5. Reduction of Offering. Notwithstanding anything contained herein, if the managing Underwriter(s) of an offering described in Section 2.4(c) advise in writing the Company and the Holder(s) of the Registrable Securities included in such offering that the size of the intended offering is such that the success of the offering would be significantly adversely

affected by inclusion of all the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders shall be reduced pro rata (according to the Registrable Securities requested for inclusion) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s) but in priority to any securities proposed to be sold by any other holders of securities of the Company with registration rights to participate therein. The Company shall have the opportunity to include such number of securities as it may elect in an offering described in Section 2.4(c); provided, if the managing Underwriter(s) of such offering advise in writing the Company and the Holder(s) of the Registrable Securities requested to be included that the success of the offering would be significantly adversely affected by inclusion of all the securities requested to be included by the Company, then the amount of securities to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s); provided, further, the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering.

Section 2.6. Registration Procedures; Filings; Information. Subject to Section 2.14 hereof, in connection with any Resale Shelf Registration Statement under Section 2.4(a), the Company will use its reasonable efforts to effect the registration of the Registrable Securities covered thereby in accordance with the intended method of disposition thereof as quickly as practicable, and, in connection with any Issuer Shelf Registration Statement under Section 2.4(b), the Company will use its reasonable efforts to effect the registration of the Primary Shares (including for resale, to the extent provided in clause (ii) of Section 2.4(b)) as quickly as reasonably practicable. In connection with any Shelf Registration Statement:

(a) The Company will no later than two (2) Business Days prior to filing a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) or prospectus or any amendment or supplement thereto, furnish to each Selling Holder and each Underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter furnish to such Selling Holder and Underwriter, if any, such number of conformed copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder or Underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder.

(b) After the filing of a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(c) The Company will use its reasonable efforts to (i) register or qualify the Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States (where an exemption does not apply) as any Selling Holder or managing Underwriter(s), if any, reasonably (in light of such Selling Holder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition of the Registrable Securities owned by such Selling Holder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (c), (B) subject itself to general taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction. The Company will promptly notify each Selling Holder of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company will immediately notify each Selling Holder of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the Company's receipt of any notification of the suspension of the qualification of any Registrable Securities covered by a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) for sale in any jurisdiction; or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and promptly make available to each Selling Holder any such supplement or amendment.

(e) The Company will otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder (or any successor rule or regulation hereafter adopted by the Commission).

(f) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will enter into and perform its obligations under customary agreements (including an underwriting agreement, if any, in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities (including, to the extent reasonably requested by the lead or managing Underwriters, sending appropriate officers of the Company to attend "road shows" scheduled in reasonable number and at reasonable times in connection

with any such underwritten offering, and obtaining customary comfort letters and legal opinions) subject to such underwritten offering.

(g) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement, the Company will make available for inspection by any Selling Holder of Registrable Securities subject to such underwritten offering, any Underwriter participating in any disposition of such Registrable Securities and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter, all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any inspectors in connection with such registration statement, subject to entry by each such Person of a customary confidentiality agreement in a form reasonably acceptable to the Company.

(h) The Company will use its reasonable efforts to cause all Registrable Securities covered by such Resale Shelf Registration Statement or Primary Shares covered by such Issuer Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(i) In addition to the Notice and Questionnaire, the Company may require each Selling Holder of Registrable Securities to promptly furnish in writing to the Company such information regarding such Selling Holder, the Registrable Securities held by it and the intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration. No Holder may include Registrable Securities in any registration statement pursuant to this Agreement unless and until such Holder has furnished to the Company such information. Each Holder further agrees to furnish as soon as reasonably practicable to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

(j) Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(b) or 2.6(d) or upon receipt of a Suspension Notice, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of written notice from the Company that such disposition may be made and, in the case of clause (ii) of Section 2.6(d) or, if applicable, Section 2.14, copies of any supplemented or amended prospectus contemplated by clause (ii) of Section 2.6(d) or, if applicable, prepared under Section 2.14, and, if so directed by the Company, such Selling Holder will deliver to the Company all copies, other than permanent file copies then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Each Selling Holder of Registrable Securities agrees that it will immediately notify the Company at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act of the happening of an event as a result of which information previously furnished by such Selling Holder to the Company in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact

required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.

Section 2.7. Registration Expenses. In connection with any registration statement required to be filed hereunder, the Company shall pay the following registration expenses incurred in connection with the registration hereunder (the "Registration Expenses"), regardless whether such registration statement is declared effective by the Commission: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, including in connection with the preparation of comfort letters, and any transfer agent and registrar fees, and (vii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or any transfer taxes relating to the registration or sale of the Registrable Securities.

Section 2.8. Indemnification by the Company. The Company agrees to indemnify and hold harmless each Selling Holder of Registrable Securities, its officers, directors, agents, partners, members, employees, managers, advisors, sub-advisors, attorneys, representatives and Affiliates, and each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against, as incurred, any and all losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, prospectus, or free writing prospectus relating to the Registrable Securities (in each case, as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or that arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission included in reliance upon and in conformity with information furnished in writing to the Company by such Selling Holder or on such Selling Holder's behalf expressly for inclusion therein.

Section 2.9. Indemnification by Holders of Registrable Securities. Each Selling Holder agrees, severally but not jointly or jointly and severally, to indemnify and hold harmless the Company, its officers, directors, agents, employees, attorneys, representatives and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Selling Holder, but only with respect to information relating to such Selling Holder included in reliance upon and in conformity with information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration

statement, preliminary prospectus, prospectus or free writing prospectus relating to the Registrable Securities, or any amendment or supplement thereto. In case any action or proceeding shall be brought against the Company or its officers, directors or agents or any such controlling person, in respect of which indemnity may be sought against such Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its officers, directors or agents or such controlling person shall have the rights and duties given to such Selling Holder, by Section 2.10; provided, however, that the total obligations of such Selling Holder under this Agreement (including, but not limited to, obligations arising under Section 2.11 herein) will be limited to an amount equal to the net proceeds actually received by such Selling Holder (after deducting any discounts and commissions) from the disposition of Registrable Securities pursuant to such registration statement.

Section 2.10. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 2.8 or 2.9, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (an "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided, however, that the failure of any Indemnified Party to give such notice will not relieve such Indemnifying Party of any obligations under Section 2.8 or 2.9, except to the extent such Indemnifying Party is materially prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) representation of the Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and the Indemnified Party. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by (i) in the case of Persons indemnified pursuant to Section 2.8 hereof, the Selling Holders which owned a majority of the Registrable Securities sold under the applicable registration statement and (ii) in the case of Persons indemnified pursuant to Section 2.9, the Company. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding without any admission of liability by such Indemnified Party.

Section 2.11. Contribution. If the indemnification provided for in Section 2.8 or 2.9 hereof is held by a court of competent jurisdiction to be unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities that otherwise would have been covered by Section 2.8 or 2.9 hereof, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of each Selling Holder, on the other hand, in connection with such statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party.

The Company and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 2.11 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.11, no Selling Holder shall be required to contribute any amount which in the aggregate exceeds the amount by which the net proceeds actually received by such Selling Holder from the sale of its securities to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Holder's obligations to contribute pursuant to this Section 2.11, if any, are several in proportion to the proceeds of the offering actually received by such Selling Holder bears to the total proceeds of the offering received by all the Selling Holders and not joint.

Section 2.12. Rule 144. The Company covenants that it will (a) make and keep public information regarding the Company available as those terms are defined in Rule 144, (b) file in a timely manner any reports and documents required to be filed by it under the Securities Act and the Exchange Act, (c) furnish to any Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time more than ninety (90) days after the effective date of the registration statement for the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), and (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 2.13. Participation in Underwritten Offerings. No Person may participate in any underwritten offerings hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights provided for in this Article II.

Section 2.14. Suspension of Use of Registration Statement.

(a) If the Board of Directors of the Company determines in its good faith judgment that the filing of a Rady Demand Registration Statement or Resale Shelf Registration Statement under Section 2.1(a) or Section 2.4(a) or the use of any related prospectus would be materially detrimental to the Company because such action would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential or the disclosure of which would materially impede the Company's ability to consummate a significant transaction, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, upon written notice of such determination by the Company to the Holders which shall be signed by the Chief Executive Officer, President or any Executive Vice President of the Company certifying thereto, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Resale Shelf Registration or to require the Company to take action with respect to the registration or sale of any Registrable Securities pursuant to a Resale Shelf Registration Statement shall be suspended until the earliest of (i) the date upon which the Company notifies the Holders in writing that suspension of such rights for the grounds set forth in this Section 2.14(a) is no longer necessary and they may resume use of the applicable prospectus, (ii) the date upon which copies of the applicable supplemented or amended prospectus is distributed to the Holders, and (iii) (x) up to thirty (30) consecutive days after the notice to the Holders if that notice is given during the Initial Period or (y) ninety (90) consecutive days after the notice to the Holders if that notice is given after the Initial Period; provided, that the Company shall not be entitled to exercise any such right more than two (2) times in any twelve (12) month period or less than thirty (30) days from the termination of the prior such suspension period; and provided further, that such exercise shall not prevent the Holders from being entitled to at least three hundred twenty (320) days of effective registration with respect to such registration statement during each Initial Period and thereafter two hundred ten (210) days of effective registration with respect to such registration statement in any 365-day period. The Company agrees to give the notice under (i) above as promptly as practicable following the date that such suspension of rights is no longer necessary.

(b) If all reports required to be filed by the Company pursuant to the Exchange Act have not been filed by the required date without regard to any extension, or if the consummation of any business combination by the Company has occurred or is probable for purposes of Rule 3-05 or Article 11 of Regulation S-X promulgated under the Securities Act or any similar successor rule, upon written notice thereof by the Company to the Holders, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement or to require the Company to take action with respect to the registration or sale of any Registrable Securities

pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement shall be suspended until the date on which the Company has filed such reports or obtained and filed the financial information required by Rule 3-05 or Article 11 of Regulation S-X to be included or incorporated by reference, as applicable, in a Rady Demand Registration Statement or Resale Shelf Registration Statement, and the Company shall use commercially reasonable efforts to file the required reports or obtain and file the financial information required to be included or incorporated by reference, as applicable, as promptly as commercially practicable, and shall notify the Holders as promptly as practicable when such suspension is no longer required.

Section 2.15. Additional Shares. The Company, at its option, may register under a Shelf Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued shares of Common Stock or any shares of Common Stock owned by any other stockholder or stockholders of the Company; provided that in no event shall the inclusion of such shares on a registration statement reduce the amount offered for the account of the Holders in any underwritten offering at the request of the Holders pursuant to Section 2.1(a) or Section 2.4(c).

ARTICLE III
MISCELLANEOUS

Section 3.1. Remedies. In addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, the Holders shall be entitled to specific performance of the rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

Section 3.2. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, in each case without the written consent of the Company and the Holders against whom enforcement is sought. No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.3. Notices. All notices and other communications in connection with this Agreement shall be made in writing by hand delivery, registered first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to any Holder, initially to the address indicated in such Holder's Notice and Questionnaire or, if no Notice and Questionnaire has been delivered, c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address and to such other Persons as any Holder may hereafter specify in writing; and

(2) if to the Company, initially at 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address as the Company may hereafter specify in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when received if deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 3.4. Successors and Assigns; Assignment of Registration Rights. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties. Any Holder may assign its rights under this Agreement without the consent of the Company in connection with a transfer of such Holder's Registrable Securities; provided, that the Holder notifies the Company of such proposed transfer and assignment and the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement.

Section 3.5. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 3.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 3.8. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.10. Termination. The obligations of the parties hereunder shall terminate with respect to a Holder when it no longer holds Registrable Securities and with respect to the Company upon the end of the Effectiveness Period with respect to any Issuer Shelf Registration Statement and with respect to a Resale Shelf Registration Statement when there are no longer Registrable Securities with respect to such Resale Shelf Registration Statement, except, in each case, for any obligations under Sections 2.4(d), 2.7, 2.8, 2.9, 2.10, 2.11 and Article III.

Section 3.11. Waiver of Jury Trial. The parties hereto (including any Initial Holder and any subsequent Holder) irrevocably waive any right to trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

HOLDERS LISTED ON SCHEDULE I HERETO

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:
As Attorney-in-Fact acting on behalf of each of the Holders named on Schedule I hereto

Schedule I

See Attached.

Exhibit A

Form of Notice and Questionnaire

The undersigned beneficial holder of shares of common stock, par value $.01 per share ("Common Stock"), of American Assets Trust, Inc. (the "Company") and/or units of limited partnership interests ("OP Units" and, together with the Common Stock, the "Registrable Securities") of American Assets Trust, L.P. (the "Operating Partnership"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "SEC") one or more registration statements (collectively, the "Resale Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement"), dated [_____], 2010, among the Company and the holders listed on Schedule I thereto. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Resale Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling security holder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). **To be included in the Resale Shelf Registration Statement, this Notice and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein on or prior to the tenth business day before the effectiveness of the Resale Shelf Registration Statement.** We will give notice of the filing and effectiveness of the initial Resale Shelf Registration Statement by issuing a press release and by mailing a notice to the holders at their addresses set forth in the register of the registrar.

Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling security holders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Resale Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the initial Resale Shelf Registration Statement so that such beneficial owners may be named as selling security holders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the initial Resale Shelf Registration Statement, in accordance with the Registration Rights Agreement, the Company will file such amendments to the initial Resale Shelf Registration Statement or additional shelf registration statements or supplements to the related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities.

Certain legal consequences arise from being named as selling security holders in the Resale Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling security holder in the Resale Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Security Holder") of Registrable Securities hereby elects to include in the prospectus forming a part of the Resale Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Resale Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Company and represents and warrants to the Company that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Security Holder:

_____

(b) Full Legal Name of registered holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

_____

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

_____

(d) List below the individual or individuals who exercise voting and/or dispositive powers with respect to the Registrable Securities listed in Item (3) below:

_____

2. Address for Notices to Selling Security Holder:

Telephone: _____

Fax: _____

E-mail address: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

Type of Registrable Securities beneficially owned, and number of shares of Common Stock and/or Common OP Units, as the case may be, beneficially owned:

4. Beneficial Ownership of Securities of the Company Owned by the Selling Security Holder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Registrable Securities listed above in Item (3).

Type and amount of other securities beneficially owned by the Selling Security Holder:

5. Relationship with the Company

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Resale Shelf Registration Statement only as follows and will not be offering any of such Registrable Securities pursuant to an agreement, arrangement or understanding entered into with a

broker or dealer prior to the effective date of the Resale Shelf Registration Statement. Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters or broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Security Holder will be responsible for underwriting discounts or commissions or agent's commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions)

(i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale;

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

_____

_____

Note: In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of the Company.

ACKNOWLEDGEMENTS

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Security Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Security Holders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Resale Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Resale Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item 3 above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing this Notice and Questionnaire, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Resale Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Resale Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the Selling Security Holder and received by the Company, the terms of this Notice and Questionnaire and the representations and warranties contained herein shall be binding on, shall insure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Security Holder with respect to the Registrable Securities beneficially owned by such Selling Security Holder and listed in Item 3 above.

This Notice and Questionnaire shall be governed by, and construed in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By _____
Name:
Title:

Dated:

Please return the completed and executed Notice and Questionnaire to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Tel: (858) 350-2600
Fax: (858) 350-2620
Attention: Chief Financial Officer

Exhibit D

Order of Mergers

Each step within each "Transaction Step" below must be completed before the transactions in the following "Transaction Step" may be completed. All transactions within each "Transaction Step" may be completed simultaneously or in any order.

Transaction Step 1

All Forward REIT Mergers

All REIT Sub Forward Mergers

Transaction Step 2

All Contributions to the OP (including the REIT's contribution to the OP of the assets acquired in Step 1)

Transaction Step 3

All Contributions to subsidiaries of the OP (including, where applicable, the OP's contribution to the applicable subsidiary of assets acquired in Step 2)

Transaction Step 4

All OP Forward Mergers ***except*** the OP Forward Merger set forth in Transaction Step 5 and Transaction Step 7 below

Transaction Step 5

Forward Merger of Desert Hillside Holdings LLC with and into the Operating Partnership

Transaction Step 6

All OP Sub Forward Mergers ***except*** the OP Sub Forward Merger set forth in Transaction Step 7 below

Transaction Step 7

Forward Merger of BWH Holdings LLC with and into the Operating Partnership

Forward Merger of Desert Oceanside Holdings LLC with and into Pacific Oceanside Holdings LLC.

Transaction Step 8

All OP Sub Reverse Mergers

Exhibit E

Form of Tax Protection Agreement

TAX PROTECTION AGREEMENT

This TAX PROTECTION AGREEMENT (this "Agreement") is entered into as of [_____, 2010], by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), each Protected Partner identified as a signatory on Schedule I, as amended from time to time, each Guaranty Partner identified as a signatory on Schedule II, as amended from time to time, and each Non-Qualified Liability Partner identified as a signatory on Schedule III, as amended from time to time.

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities, as set forth in the Formation Transaction Documentation.

WHEREAS, the Formation Transactions relate to the proposed initial public offering of the common stock of the REIT, par value $.01 per share, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code (as defined below); and

WHEREAS, as a condition to engaging in the Formation Transactions, and as an inducement to do so, the parties hereto are entering into this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINED TERMS

For purposes of this Agreement the following terms shall apply:

Section 1.1 "50% Termination" has the meaning set forth in Section 1.40.

Section 1.2 "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Section 1.3 "Agreement" has the meaning set forth in the preamble.

Section 1.4 "Approved Liability" means either:

(a) A liability of the Operating Partnership (or of an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes) with respect to which all of the following requirements are satisfied:

(i) the liability is secured by real property or other assets (the "Collateral") owned directly or indirectly by the Operating Partnership (or by an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes);

(ii) on the date on which the Operating Partnership designated such liability as a Approved Liability, the fair market value (as reasonably determined in good faith by the Operating Partnership) of the Collateral was at least 140% times the outstanding principal amount (and any accrued and unpaid interest) of the liability and any other Approved Liabilities secured by such Collateral at such time, *provided* that if interest on such liability is not required to be paid at least annually or if the documents evidencing such liability permit the borrower to borrow additional amounts that are secured by the Collateral, the outstanding principal amount of such liability shall include the maximum amount that could be so added to the principal amount of such liability without a default, *provided*, *however*, if notwithstanding the Operating Partnership's commercially reasonable efforts, it is unable to make available the Guarantee Opportunities required by this Agreement, 130% shall be substituted for 140% as set forth above;

(iii) the liability constitutes "qualified nonrecourse financing" as defined in Section 465(b)(6) of the Code with respect to the Protected Partners;

(iv) other than guaranties by the Guaranty Partners, no other person has executed any guaranties with respect to such liability; and

(v) the Collateral does not provide security for another liability (other than another Approved Liability) that ranks senior to, or *pari passu* with, the liability described in clause (i) above.

For purposes of determining whether clause (ii) has been satisfied in situations where one or more potential Approved Liabilities are secured by more than one item of Collateral, the Operating Partnership shall allocate such liabilities among such items of Collateral in proportion to their relative fair market values (as reasonably determined in good faith by the Operating Partnership);

(b) A liability of the Operating Partnership that

(i) is not secured by any of the assets of the Operating Partnership and is a general, recourse obligation of the Operating Partnership, and

(ii) is not provided by a lender that has an interest in the Operating Partnership or is related to the Operating Partnership within the meaning of Section 465(b)(3)(C) or the Code;

(c) Solely with respect to the Non-Qualified Liability Amount for each Non-Qualified Liability Partner, the applicable Non-Qualified Liabilities; or

(d) Any other indebtedness approved by the Partners' Representative (or his successor or designee) in his sole and absolute discretion.

Section 1.5 "Closing Date" has the meaning assigned to it in the applicable Pre-Formation Transaction Documentation.

Section 1.6 "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.7 "Collateral" has the meaning set forth in the definition of "Approved Liability."

Section 1.8 "Debt Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.9 "Debt Notification Event" means, with respect to an Approved Liability, any transaction in which such liability shall be refinanced, otherwise repaid (excluding for this purpose, scheduled payments of principal occurring prior to the maturity date of such liability), or guarantied by any of the REIT, the Operating Partnership, or one or more of their Affiliates, or guarantied by one or more partners of the Operating Partnership.

Section 1.10 "Exchange" has the meaning set forth in Section 2.1(b).

Section 1.11 "Formation Transaction Documentation" means all of the agreements and plans of merger and contribution agreements, substantially in the forms accompanying the Request for Consent and Private Placement Memorandum dated July [__], 2010, pursuant to which all or a portion of the equity interests in certain specified entities are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

Section 1.12 "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

Section 1.13 "Fundamental Transaction" means a merger, consolidation or other combination of the Operating Partnership with or into any other entity, a transfer of all or substantially all of the assets of the Operating Partnership, any reclassification, recapitalization or change of the outstanding equity interests of the Operating Partnership, or a conversion of the Operating Partnership into another form of entity.

Section 1.14 "Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.15 "Guarantied Liability" means any Approved Liability or Non-Qualified Liability that is guarantied, in whole or in part, by one or more Guaranty Partners or Non-Qualified Liability Partner, as applicable, in accordance with this Agreement.

Section 1.16 "Guaranty Partner" means: (i) each signatory on Schedule II attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Guaranty Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units; and (iii) with respect to a Guaranty Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.4 with respect to such Guaranty Partner, any person who (y) holds an interest in such Guaranty Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Guaranty Partner in its own gross income.

Section 1.17 "Guaranty Permissible Liability" means a liability with respect to which the lender permits a guaranty.

Section 1.18 "Guaranty Opportunity" has the meaning set forth in Section 2.4(b).

Section 1.19 "Make Whole Amount" means: (a) with respect to any Protected Partner that recognizes gain under Section 704(c) of the Code as a result of a Tax Protection Period Transfer, *the sum of* (i) *the product of* (x) the income and gain recognized by such Protected Partner under Section 704(c) of the Code in respect of such Tax Protection Period Transfer (taking into account any adjustments under Section 743 of the Code to which such Protected Partner is entitled) *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Protected Partner as a result of the receipt by a Protected Partner of a payment under Section 2.2 (the "Gross Up Amount"); *provided*, *however*, that the Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Protected Partner might have that would reduce its actual tax liability; and (b) with respect to any Guaranty Partner or Non-Qualified Liability Partner that recognizes gain as a result of a breach by the Operating Partnership of the provisions of Section 2.4 or Section 2.5 hereof, *the sum of* (i) *the product of* (x) the income and gain recognized by such Guaranty Partner or Non-Qualified Liability Partner by reason of such breach, *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Guaranty Partner or Non-Qualified Liability Partner as a result of the receipt by a Guaranty Partner or Non-Qualified Liability Partner of a payment under Section 2.4 or Section 2.5 (the "Debt Gross Up Amount"); *provided*, *however*, that the Debt Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Guaranty Partner or Non-Qualified Liability Partner might have that would reduce its actual tax liability. For purposes of calculating the amount of Section 704(c) gain that is allocated to a Protected Partner, (i) subject to clause (ii) below, any "reverse Section 704(c) gain" allocated to such partner pursuant to Treasury Regulations § 1.704-3(a)(6) shall not be taken into account, and (ii) if, as a result of adjustments to the Gross Asset Value (as defined in the OP Agreement) of the Protected Properties pursuant to clause (b) of the definition of Gross Asset Value as set forth in the OP Agreement, all or a portion of the gain recognized by the Operating Partnership that would have been Section 704(c) gain without regard to such adjustments becomes or is treated as "reverse Section 704(c) gain" or Section 704(b) gain under Section 704 of the Code, then such gain shall continue to be treated as Section 704(c) gain;

provided that the total amount of 704(c) gain and income taken into account for purpose of calculating the Make Whole Amount shall not exceed the initial Section 704(c) gain amount as of the Closing Date (whether or not equal to the estimated amount set forth on Exhibit B).

Section 1.20 "Make Whole Tax Rate" means, with respect to a Protected Partner who is entitled to receive a payment under Section 2.2 and with respect to a Guaranty Partner or Non-Qualified Liability Partner who is entitled to receive payment under Section 2.4 or Section 2.5, the highest combined statutory Federal, state and local tax rate in respect of the income or gain that gave rise to such payment, taking into account the character of the income and gain in the hands of such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable (reduced, in the case of Federal taxes, by the deduction allowed for income taxes paid to a state or locality), for the taxable year in which the event that gave rise to such payment under Section 2.2, Section 2.4 or Section 2.5 occurred. Notwithstanding the foregoing, if a Protected Partner, Guaranty Partner or Non-Qualified Liability Partner demonstrates to the reasonable satisfaction of the Operating Partnership that such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable, is not entitled to a Federal income tax deduction for all or a portion of the income taxes paid to a state or locality, the Make Whole Tax Rate applicable to such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner shall be reduced only by the deduction, if any, the Protected Partner, Guaranty Partner or Non-Qualified Liability Partner is entitled to take for such taxes.

Section 1.21 "Non-Qualified Liability" means each of the liabilities set forth on Exhibit D.

Section 1.22 "Non-Qualified Liability Amount" means the amount shown in the column labeled "Non-Qualified Liability Amount" for each Non-Qualified Liability listed below each Non-Qualified Liability Partner's name in Exhibit E.

Section 1.23 "Non-Qualified Liability Period" means the period commencing on the Closing Date and ending on the second anniversary of the Closing Date.

Section 1.24 "Non-Qualified Liability Partner" means: (i) each signatory on Schedule III attached hereto, as amended from time to time; and (ii) any person who holds OP Units and who acquired such OP Units from another Non-Qualified Liability Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units.

Section 1.25 "OP Agreement" means the Agreement of Limited Partnership of American Assets Trust, L.P., as amended from time to time.

Section 1.26 "OP Units" means common units of partnership interest in the Operating Partnership.

Section 1.27 "Operating Partnership" has the meaning set forth in the preamble.

Section 1.28 "Partners' Representative" means Ernest Rady and his executors, administrators or permitted assigns.

Section 1.29 "Pass Through Entity"means a partnership, grantor trust, or S corporation for Federal income tax purposes.

Section 1.30 "Permitted Disposition" means a sale, exchange or other disposition of OP Units (i) by a Protected Partner or Guaranty Partner: (a) to such Protected Partner's or Guaranty Partner's children, spouse or issue; (b) to a trust for such Protected Partner or Guaranty Partner or such Protected Partner's or Guaranty Partner's children, spouse or issue; (c) in the case of a trust which is a Protected Partner or Guaranty Partner, to its beneficiaries, or any of them, whether current or remainder beneficiaries; (d) to a revocable *inter vivos* trust of which such Protected Partner or Guaranty Partner is a trustee; (e) in the case of any partnership or limited liability company which is a Protected Partner or Guaranty Partner, to its partners or members; and/or (f) in the case of any corporation which is a Protected Partner or Guaranty Partner, to its shareholders, and (ii) by a party described in clauses (a), (b), (c) or (d) to a partnership, limited liability company or corporation of which the only partners, members or shareholders, as applicable, are parties described in clauses (a), (b), (c) or (d); *provided*, that for purposes of the definition of Tax Protection Period, such Protected Partner or Guaranty Partner shall be treated as continuing to own any OP Units which were subject to a Permitted Disposition unless and until there has been a sale, exchange or other disposition of such OP Units by a permitted transferee which is not another Permitted Disposition.

Section 1.31 "Person" means an individual or a corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

Section 1.32 "Protected Partner" means: (i) each signatory on Schedule I attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Protected Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Protected Partner in such OP Units; and (iii) with respect to a Protected Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.2 with respect to such Protected Partner, any person who (y) holds an interest in such Protected Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Protected Partner in its own gross income.

Section 1.33 "Protected Property" means each property identified on Exhibit A hereto and each property acquired in Exchange for a Protected Property as set forth in Section 2.1(b).

Section 1.34 "Representation, Warranty and Indemnity Agreement" means that certain Representation, Warranty and Indemnity Agreement, made and entered into as of [ ], 2010, by and amount the REIT, the Operating Partnership and Ernest Rady Trust U/D/T March 10, 1983, as amended.

Section 1.35 "Required Liability Amount" means, with respect to each Guaranty Partner, 110% of such Guaranty Partner's estimated "negative tax capital account" as of the Closing Date, a current estimate of which is set forth on Exhibit C hereto for each such Guaranty Partner.

Section 1.36 "REIT" has the meaning set forth in the preamble.

Section 1.38 "Section 2.4 Notice" has the meaning set forth in Section 2.4(c).

Section 1.39 "Section 2.5 Notice" has the meaning set forth in Section 2.5(c).

Section 1.40 "Tax Protection Period" means the period commencing on the Closing Date and ending on the seventh (7th) anniversary of the Closing Date; *provided*, *however*, that such period shall end with respect to any Protected Partner or Guaranty Partner to the extent that such Partner owns less than fifty percent (50%) of the OP Units originally received by the Protected Partner or Guaranty Partner in the Formation Transactions, disregarding the sale, exchange or other disposition of any such OP Units sold, exchanged or otherwise disposed of by the Protected Partner or Guaranty Partner in a Permitted Disposition (such an event, a "50% Termination"); *provided further, however*, that notwithstanding the forgoing, the Tax Protection Period will terminate for all Protected Partners and Guaranty Partners upon the later of the death of Ernest Rady and the death of his wife.

Section 1.41 "Tax Protection Period Transfer" has the meaning set forth in Section 2.1(a).

Section 1.42 "Transfer" means any direct or indirect sale, exchange, transfer or other disposition, whether voluntary or involuntary.

Section 1.43 "Treasury Regulations" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II

TAX PROTECTIONS

Section 2.1 Taxable Transfers.

(a) Unless the Partners' Representative expressly consents in writing to a Tax Protection Period Transfer (for the avoidance of doubt, no vote in favor of a Tax Protection Period Transfer by the Partners' Representative or any of its Affiliates or by a Protected Partner, in each case in its capacity as owner shares of the REIT or OP Units, shall constitute consent), during the Tax Protection Period, the Operating Partnership shall indemnify the Protected Partners as set forth in Section 2.2 if the Operating Partnership or any entity in which the Operating Partnership holds a direct or indirect interest shall cause or permit (i) any Transfer of all or any portion of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property) in a transaction that would result in the recognition of taxable income or gain by any Protected Partner under Section 704(c) of the Code, or (ii) any Fundamental Transaction that would result in the recognition of taxable income or gain to any Protected Partner (a Fundamental Transaction and a Transfer, collectively a "Tax Protection Period Transfer").

(b) Section 2.1(a) shall not apply to any Tax Protection Period Transfer of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property): (i) in a transaction in which no gain is required to be recognized by a Protected Partner (an "Exchange"), including a transaction qualifying under Section 1031 or Section 721 (or any successor statutes) of the Code; *provided*, *however*, that any property acquired by the Operating Partnership in the Exchange shall remain subject to the provisions of this Article II in place of the exchanged Protected Property for the remainder of the Tax Protection Period; (ii) as a result of the condemnation or other taking of any Protected Property by a governmental entity in an eminent domain proceeding or otherwise, provided that the Operating Partnership shall use commercially reasonable efforts to structure such disposition as either a tax-free like-kind exchange under Section 1031 or a tax-free reinvestment of proceeds under Section 1033, provided that in no event shall the Operating Partnership be obligated to acquire or invest in any property that it otherwise would not have acquired or invested in.

(c) For any taxable Transfer of all or any portion of any property of the Operating Partnership which is not a Tax Protection Period Transfer, the Operating Partnership shall use commercially reasonable efforts to cooperate with the Limited Partners to minimize any taxes payable by the Limited Partners in connection with any such Transfers.

Section 2.2 Indemnification for Taxable Transfers.

(a) In the event of a Tax Protection Period Transfer described in Section 2.1(a), each Protected Partner shall, within 30 days after the closing of such Tax Protection Period Transfer, receive from the Operating Partnership an amount of cash equal to the estimated Make Whole Amount applicable to such Tax Protection Period Transfer. If it is later determined that the true Make Whole Amount applicable to a Protected Partner exceeds the estimated Make Whole Amount applicable to such Protected Partner, then the Operating Partnership shall pay such excess to such Protected Partner within 90 days after the closing of the Tax Protection Period Transfer, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Protected Partner shall promptly refund such excess to the Operating Partnership, but only to the extent such excess was actually received by such Protected Partner.

(b) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Protected Partner under Section 2.1(a) shall be a claim against the Operating Partnership for the Make Whole Amount as set forth in this Section 2.2, and no Protected Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.1(a) or bring a claim against any person that acquires a Protected Property from the Operating Partnership in violation of Section 2.1(a).

Section 2.3 Section 704(c) Gains. A good faith estimate of the initial amount of Section 704(c) gain allocable to each Protected Partner as of the Closing Date of each OP Merger is set forth on Exhibit B hereto. The parties acknowledge that the initial amount of such Section 704(c) gain may be adjusted over time as required by Section 704(c) of the Code and the Regulations promulgated thereunder.

Section 2.4 Approved Liability Maintenance and Allocation.

(a) During the Tax Protection Period, the Operating Partnership shall: (1) maintain on a continuous basis an amount of Approved Liabilities at least equal to the Required Liability Amount; and (2) provide the Partners' Representative, promptly upon request, with a description of the nature and amount of any Approved Liabilities that are available to be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall not be required to maintain any amount of Approved Liabilities in excess of the aggregate Required Liability Amount of all Guaranty Partners.

(b) (i) During the Tax Protection Period, the Operating Partnership shall provide each Guaranty Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of one or more Approved Liabilities that are Guaranty Permissible Liabilities in an amount up to such Guaranty Partner's Required Liability Amount (each such opportunity and each opportunity required by Section 2.4(c), Section 2.5(b),and Section 2.5(c), a "Guaranty Opportunity"), and (ii) after the Tax Protection Period, and for so long as a Guaranty Partner has not had a 50% Termination, the Operating Partnership shall use commercially reasonable efforts to make Guaranty Opportunities available to each Guaranty Partner, provided that in the case of this clause (ii), the Operating Partnership shall not be required to incur any indebtedness that it would not otherwise have incurred, as determined by the Operating Partnership in its reasonable discretion; *provided*, *however*, that in the case of clauses (i) and (ii) the aggregate amount of all guaranties required to be made available by the Operating Partnership for execution by all Guaranty Partners need not exceed the aggregate Required Liability Amount of all Guaranty Partners. The Operating Partnership shall have the discretion to identify the Approved Liability or Approved Liabilities that shall be made available for guaranty by each Guaranty Partner. Each Guaranty Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Guaranty Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any debt subject to a Guaranty to the applicable Guaranty Partners. Each Guaranty Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Guaranty Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Guaranty Partner.

(c) During the Tax Protection Period, the Operating Partnership shall not allow a Debt Notification Event to occur unless the Operating Partnership provides at least thirty (30) days' written notice (a "Section 2.4 Notice") to each Guaranty Partner that may be affected thereby. The Section 2.4 Notice shall describe the Debt Notification Event and designate one or more Approved Liabilities that may be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement in an amount equal to the amount of the refinanced or repaid Approved Liability that was guarantied by such Guaranty Partner immediately prior to the date of the refinancing or repayment. Any Guaranty Partner that desires to execute a guaranty following the receipt of a Section 2.4 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.4 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.4(a), (b) and (c) of this Agreement, it shall have no liability to a Guaranty Partner

under Section 2.4(e) for breach of Section 2.4, whether or not such Guaranty Partner accepts its Guaranty Opportunity. Furthermore, the Operating Partnership makes no representation or warranty to any Guaranty Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Guaranty Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.4 or an act or omission that is indemnifiable under Section 2.4(e) of this Agreement).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.4, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Guaranty Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Guaranty Partner exceeds the estimated Make Whole Amount applicable to such Guaranty Partner, then the Operating Partnership shall pay such excess to such Guaranty Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Guaranty Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Guaranty Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Guaranty Partner for a breach or violation of the covenants set forth in Section 2.4 shall be a claim a claim against the Operating Partnership for the Make Whole Amount as set forth in Section 2.4(e), and no Guaranty Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.4.

(g) Notwithstanding any provision of this Section 2.4 to the contrary, to the extent a Guaranty Partner is also a Non-Qualified Liability Partner that has guaranteed Non-Qualified Liabilities pursuant to Section 2.5, the amount of such guaranteed liabilities shall be treated as the Operating Partnership's satisfaction of that amount of its obligation to provide a Guaranty Opportunity under this Section 2.4, and such liabilities shall be treated as an Approved Liability for purposes of this Section 2.4, including for purposes of determining whether a Section 2.4 Notice and substitute Approved Liability are required.

Section 2.5 Non-Qualified Liability Maintenance and Allocation.

(a) During the Non-Qualified Liability Period, the Operating Partnership shall not repay any Non-Qualified Liability (excluding any scheduled payments of principal occurring pursuant to the terms of such Non-Qualified Liability) which has been guarantied by a Non-Qualified Liability Partner pursuant to Section 2.5(b) unless: (i) the Operating Partnership repays such Non-Qualified Liability with proceeds generated by its incurrence of other liabilities which each such Non-Qualified Liability Partner is offered an opportunity to guaranty; or (ii) the Partners' Representative consents in writing to such repayment.

(b) During the Non-Qualified Liability Period, the Operating Partnership shall use commercially reasonable efforts to provide each Non-Qualified Liability Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of each Non-Qualified Liability listed below such Non-Qualified Liability Partner's name in Exhibit E in an amount up to such Non-Qualified Liability Partner's Non-Qualified Liability Amount. Each Non-Qualified Liability Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Non-Qualified Liability Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any Guarantied Liability to the applicable Non-Qualified Liability Partners. Each Non-Qualified Liability Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Non-Qualified Liability Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Non-Qualified Liability Partner.

(c) During the Non-Qualified Liability Period, if the Operating Partnership intends to repay any Non-Qualified Liability with proceeds generated by its incurrence of other liabilities as provided in Section 2.5(a)(i), the Operating Partnership shall provide at least thirty (30) days' written notice (a "Section 2.5 Notice") to each Non-Qualified Liability Partner that may be affected thereby. The Section 2.5 Notice shall describe which Non-Qualified Liability is being repaid and the nature and amount of the liability, if any, being incurred to repay such Non-Qualified Liability. The Operating Partnership shall use commercially reasonable efforts to make available to each affected Non-Qualified Liability Partner the opportunity to guaranty any such newly-incurred liability in the same manner as provided in Section 2.5(b) in an amount equal to the amount of the repaid Non-Qualified Liability that was guarantied by such Non-Qualified Liability Partner immediately prior to the date of the repayment. Any Non-Qualified Liability Partner that desires to execute a guaranty following the receipt of a Section 2.5 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.5 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.5(a), (b) and (c) of this Agreement, it shall have no liability to any Non-Qualified Liability Partner for breach of Section 2.5, whether or not such Non-Qualified Liability Partner accepts its Guaranty Opportunity. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall have no liability to any Non-Qualified Liability Partner if the Operating Partnership is unable, despite its commercially reasonable efforts, to provide each Non-Qualified Liability Partner with the opportunity to guaranty a Non-Qualified Liability. Furthermore, the Operating Partnership makes no representation or warranty to any Non-Qualified Liability Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Non-Qualified Liability Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.5).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.5, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Non-Qualified Liability Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Non-Qualified Liability Partner exceeds the estimated Make Whole Amount applicable to such Non-Qualified Liability Partner, then the Operating Partnership shall pay such excess to such Non-Qualified Liability Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Non-Qualified Liability Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Non-Qualified Liability Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, no Non-Qualified Liability Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.5.

Section 2.7 Dispute Resolution. Any controversy, dispute, or claim of any nature arising out of, in connection with, or in relation to the interpretation, performance, enforcement or breach of this Agreement (and any closing document executed in connection herewith) shall be governed by Section 5.08 of the Representation, Warranty and Indemnity Agreement.

ARTICLE III

GENERAL PROVISIONS

Section 3.1 Notices. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms of this Agreement shall be given in the same manner as in the OP Agreement.

Section 3.2 Titles and Captions. All Article or Section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” and “Sections” are to Articles and Sections of this Agreement.

Section 3.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 3.4 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain form taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 3.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 3.6 Creditors. Other than as expressly set forth herein, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Operating Partnership.

Section 3.7 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any covenant, duty, agreement or condition.

Section 3.8 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.9 Applicable Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California, without regard to the principles of conflicts of law.

Section 3.10 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of other remaining provisions contained herein shall not be affected thereby.

Section 3.11 Entire Agreement. This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and amends, restates and supersedes the OP Agreement and any other prior written or oral understandings or agreements among them with respect thereto.

Section 3.12 No Rights as Stockholders. Nothing contained in this Agreement shall be construed as conferring upon the holders of the OP Units any rights whatsoever as stockholders of the REIT, including, without limitation, any right to receive dividends or other distributions made to stockholders of the REIT or to vote or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the REIT or any other matter.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

REIT:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: _____
Name: _____
Title: _____

OPERATING PARTNERSHIP:

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.
a Maryland corporation,
Its General Partner

By: _____
Name: _____
Title : _____

SCHEDULE I

PROTECTED PARTNERS

See attached.

SCHEDULE II

GUARANTY PARTNERS

See attached.

SCHEDULE III

NON-QUALIFIED LIABILITY PARTNERS

See attached.

EXHIBIT A

PROTECTED PROPERTIES

Property Name
Carmel Country Plaza
Carmel Mountain Plaza
Del Monte Center
ICW Plaza
Loma Palisades
Lomas Santa Fe Plaza
Waikele Center

EXHIBIT B

ESTIMATED ALLOCATIONS OF SECTION 704(c) GAIN

See attached.

EXHIBIT C

REQUIRED LIABILITY AMOUNT

See attached.

EXHIBIT D

NON-QUALIFIED LIABILITIES

See attached.

EXHIBIT E

NON-QUALIFIED LIABILITY AMOUNT

See attached.

EXHIBIT F

FORM OF GUARANTY

See attached.

Exhibit F

Lock-Up Agreement

_____ __, 2010

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
375 Park Avenue
New York, New York 10152

as Representatives of the several
Underwriters to be named in
the within-mentioned Underwriting Agreement

Re: Proposed Public Offering by American Assets Trust, Inc.

Dear Sirs:

The undersigned, a stockholder of American Assets Trust, Inc., a Maryland corporation (the "Company") and/or a holder of common units of partnership interest (the "Units") in American Assets Trust, LP, a Maryland limited partnership and operating subsidiary of the Company (the "Operating Partnership"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Wells Fargo Securities, LLC ("Wells Fargo") and each of the other Underwriters named in Schedule A to the Underwriting Agreement (as defined below) (collectively, the "Underwriters"), for whom Merrill Lynch and Wells Fargo are acting as representatives (in such capacity, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company and the Operating Partnership, providing for the public offering (the "Public Offering") of shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). In recognition of the benefit that the Public Offering will confer upon the undersigned as a stockholder of the Company and/or as a holder of Units in the Operating Partnership, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each Underwriter to be named in the Underwriting Agreement that, during a period of 180 days from the date of the Underwriting Agreement (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives:

(i) if the undersigned is a director or executive officer of the Company, pursuant to the establishment by the undersigned of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the Lock-Up Period; or

(ii) as a *bona fide* gift or gifts or other dispositions by will or intestacy; or

(iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iv) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the undersigned or the immediate family member of the undersigned; or

(v) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; or

(vi) as a distribution to limited partners, limited liability company members or stockholders of the undersigned; or

(vii) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned; or

(viii) to the Company upon termination of the undersigned's employment with the Company; or

(ix) to pay the exercise price of options to purchase Common Stock pursuant to the cashless exercise feature of such options; or

(x) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (ix) above,

provided that, in each case, (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers or other actions are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market after completion of the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales.

Notwithstanding the foregoing, if:

(1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day Lock-Up Period,

the Representatives may extend, by written notice to the Company, the restrictions imposed by this lock-up agreement until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the period from the date of this lock-up agreement to and including the 34th day following the expiration of the initial 180-day Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the 180-day Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

[Signature Page Follows]

Very truly yours,

Signature: _____

Print Name: _____

(Signature Page to Investor Lock-Up Agreement)

Exhibit 10.10

AGREEMENT AND PLAN OF MERGER

DATED AS OF SEPTEMBER 13, 2010

BY AND AMONG

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

AND

THE FORWARD REIT MERGER ENTITIES
as set forth on Schedule I hereto

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of September 13, 2010, by and among American Assets Trust, Inc., a Maryland corporation (the "REIT") and the entities identified on Schedule I hereto as "Forward REIT Merger Entities" (each a "Forward REIT Merger Entity" and, collectively the "Forward REIT Merger Entities").

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities each as described on Schedule I hereto;

WHEREAS, pursuant to this Agreement, each Forward REIT Merger Entity will merge with and into the REIT (the "Mergers") and the equity interest in each Forward REIT Merger Entity (the "Forward REIT Merger Entity Interests") will be converted automatically as set forth herein into the right to receive cash, without interest, or shares of common stock of the REIT, par value $.01 per share (the "REIT Shares");

WHEREAS, concurrently with the execution of this Agreement, the REIT will enter into agreements and plans of merger with certain American Assets Entities identified as "REIT Sub Forward Merger Entities" on Schedule I hereto (collectively, the "REIT Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each REIT Sub Forward Merger Entity will merge with and into wholly-owned subsidiaries of the REIT;

WHEREAS, immediately following the completion of the mergers described in the preceding paragraphs, the REIT will contribute to American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), (i) all of the assets, rights and obligations of the Forward REIT Merger Entities acquired by the REIT as a result of the mergers between it and the Forward REIT Merger Entities and (ii) all of the REIT's interests in the surviving entities of the mergers of the REIT Sub Forward Merger Entities with and into wholly owned subsidiaries of the REIT;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, will enter into a contribution agreement with certain holders (the "Contributors") of interests in certain American Assets Entities identified as "Contributed Entities" on Schedule I hereto, pursuant to which, immediately following the completion of the mergers and contributions described in the preceding paragraphs, each Contributor shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, respectively, all of the Contributor's interests in the applicable American Assets Entity (the "Contributed Interest"), and the Operating Partnership, or such subsidiary, as applicable, shall acquire from each Contributor all of each Contributor's right, title and interest as a holder of the Contributed Interests;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into an agreement and plan of merger with certain American Assets

Entities identified as "Forward OP Merger Entities" on Schedule I hereto (collectively, the "Forward OP Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each Forward OP Merger Entity will merge with and into the Operating Partnership in the order set forth in the merger agreement for such entities;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Forward Merger Entities" on Schedule I hereto (collectively, the "OP Sub Forward Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each OP Sub Forward Merger Entity will merge with and into a separate wholly-owned subsidiary of the Operating Partnership;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Reverse Merger Entities" on Schedule I hereto (collectively, the "OP Sub Reverse Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, a separate wholly-owned subsidiary of the Operating Partnership will merge with and into each OP Sub Reverse Merger Entity;

WHEREAS, in lieu of one or more of the mergers described in the preceding paragraphs and at the same time as such mergers would have otherwise occurred, certain holders (the "Consenting Holders") of interests in certain American Assets Entities shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, all of their interests in the applicable American Assets Entity, and the Operating Partnership, or such subsidiary, shall acquire from each Consenting Holder, all of each Consenting Holder's right, title and interest as a holder of interests in such American Assets Entities;

WHEREAS, the Formation Transactions relate to the proposed initial public offering (the "IPO") of the REIT Shares, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code;

WHEREAS, in accordance with applicable state law for each of the Forward REIT Merger Entities, each Forward REIT Merger Entity may be merged with another entity, subject to the requisite approvals as provided in applicable state law;

WHEREAS, the board of directors of the REIT has determined that it is advisable and in the best interest of the REIT to proceed with the Mergers, and the board of directors of the REIT and its sole stockholder have approved and authorized the Mergers and the other Formation Transactions in accordance with Maryland General Corporation Law (the "MGCL") and its charter and bylaws;

WHEREAS, the board of directors of each Forward REIT Merger Entity has each determined that it is advisable and in the best interests of such Forward REIT Merger Entity and its respective equity holders to proceed with the Mergers and the other Formation Transactions on the terms described in this Agreement; and

WHEREAS, each Forward REIT Merger Entity has obtained the requisite approval of its respective stockholders (and lenders, as applicable) to the Mergers and the other Formation Transactions, applicable to each Forward REIT Merger Entity.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I
THE MERGERS

Section 1.01 THE MERGERS. At the Effective Time (as defined below), and subject to and upon the terms and conditions of this Agreement and in accordance with applicable Laws, each Forward REIT Merger Entity shall be merged with and into the REIT in the order specified in Exhibit D, whereby the separate existence of each Forward REIT Merger Entity shall cease, and the REIT shall continue its existence under Maryland law as the surviving entity (hereinafter sometimes referred to as the "Surviving Entity").

Section 1.02 EFFECTIVE TIME. Subject to and upon the terms and conditions of this Agreement, concurrently with or as soon as practicable after (i) the execution by the REIT and the Operating Partnership of the Underwriting Agreement and (ii) the satisfaction or waiver of the conditions set forth in Article VII, the REIT and each of the Forward REIT Merger Entities shall file articles of merger or similar documents with respect to each Merger (the "Certificates of Merger") as may be required by applicable Laws, with the State Department of Assessments and Taxation of Maryland ("SDAT"), the Secretary of State of the State of Delaware, and each other jurisdiction applicable to each Forward REIT Merger Entity providing that each Merger shall become effective upon filing or at such later date and time set forth in the Certificate of Merger with respect to such Merger that is not more than thirty (30) days after the acceptance of the Certificate of Merger by the SDAT for record (the "Effective Time"), together with any certificates and other filings or recordings related thereto, in such forms as are required by, and executed in accordance with the relevant provisions of applicable Laws.

Section 1.03 EFFECT OF THE MERGERS. At the Effective Times, which shall be in the order specified in Exhibit D, the effect of the Mergers shall be as provided in this Agreement, the Certificates of Merger and applicable Laws.

Section 1.04 ORGANIZATIONAL DOCUMENTS. At the Effective Time, (i) the charter of the REIT, as in effect immediately prior to the Effective Time (the "REIT Charter"), shall be the charter of the Surviving Entity until thereafter amended as provided therein or in accordance with the MGCL, and (ii) the bylaws of the REIT, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Entity until thereafter amended as provided therein or in accordance with the MGCL.

Section 1.05 CONVERSION OF FORWARD REIT MERGER ENTITY INTERESTS.

(a) Under and subject to the terms and conditions of the respective Formation Transaction Documentation each Pre-Formation Participant is irrevocably bound to accept and

entitled to receive, as a result of and upon consummation of the Mergers or other Formation Transactions, a specified share of the sponsors' value of the American Assets Entities as a whole in the form of the right to receive cash or REIT Shares as calculated in this Section 1.05.

At the Effective Time, by virtue of the Mergers and without any action on the part of the parties hereto, except as set forth in Section 1.05(b), each Forward REIT Merger Entity Interest shall be converted automatically into the right to receive cash or REIT Shares (or OP Units, as provided in clause (ii) of the following sentence) with an aggregate value equal to the portion of Equity Value represented by such Forward REIT Merger Entity Interest (collectively referred to as the "Merger Consideration") and each holder that receives OP Units in the Mergers shall, upon receipt of such OP Units and the delivery of a Consent Form or a counterpart signature page to the Operating Partnership Agreement and such other documents and instruments as may be required in the sole discretion of the REIT to effect such holder's admission as a limited partner of the Operating Partnership, be admitted as a limited partner of the Operating Partnership in accordance with the Maryland Revised Uniform Limited Partnership Act and the Operating Partnership Agreement.

Subject to Section 1.07 and Section 2.02(c), the amount of cash or REIT Shares comprising the Merger Consideration for each Forward REIT Merger Entity Interest so converted shall be as follows:

(i) Cash: One hundred percent (100%) of the Allocated Share for each Forward REIT Merger Entity Interest held by a Pre-Formation Participant who is not an Accredited Investor shall be paid in cash.

(ii) REIT Shares. The Allocated Share for each Forward REIT Merger Entity Interest held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of REIT Shares equal to the Allocated Share divided by the IPO Price; *provided that*, subject to Section 7.02(d), to the extent such distribution of REIT Shares to the holder of the Forward REIT Merger Entity Interests would result in a violation of the restrictions on ownership and transfer set forth in Section 6.3 of the REIT's charter (the "Ownership Limits"), such holder shall receive (x) the maximum number of whole REIT Shares that would not result in such a violation of the Ownership Limits, and (y) that number of common units of partnership interests in the Operating Partnership (the "OP Units") equal to the remaining number of REIT Shares not distributed as a result of the application of the foregoing clause (x)**.**

(b) Each Forward REIT Merger Entity Interest issued and outstanding immediately prior to the Effective Time that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries (having been previously acquired by the REIT, the Operating Partnership or any such Subsidiary thereof pursuant to the other Formation Transactions) shall remain issued and outstanding, and no consideration shall be delivered hereunder in exchange therefor.

Section 1.06 CANCELLATION AND RETIREMENT OF FORWARD REIT MERGER ENTITY INTERESTS . From and after the Effective Time, (i) each Forward REIT Merger Entity Interest converted into the right to receive the Merger

Consideration pursuant to Section 1.05(a) shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of such Forward REIT Merger Entity Interest so converted shall thereafter cease to have any rights as a partner or member of any Forward REIT Merger Entity except the right to receive the Merger Consideration applicable thereto, and (ii) each Forward REIT Merger Entity Interest issued and outstanding that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist and no consideration shall be delivered hereunder in exchange therefor.

Section 1.07 FRACTIONAL INTERESTS. No fractional REIT Shares or OP Units shall be issued in the Mergers. All fractional REIT Shares that a holder of Forward REIT Merger Entity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole REIT Shares resulting from such aggregation and, in lieu of any fractional REIT Share resulting from such aggregation, an amount in cash determined by multiplying that fraction of a REIT Share to which such holder would otherwise have been entitled, by the IPO Price. All fractional OP Units that a holder of Forward REIT Merger Entity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole OP Units resulting from such aggregation and, in lieu of any fractional OP Unit resulting from such aggregation, an amount in cash determined by multiplying that fraction of an OP Unit to which such holder would otherwise have been entitled, by the IPO Price. No interest will be paid or will accrue on any cash paid or payable in lieu of any fractional REIT Share.

Section 1.08 CALCULATION OF MERGER CONSIDERATION. As soon as practicable following the determination of the IPO Price and prior to the Effective Time, all calculations relating to the Merger Consideration shall be performed in good faith by, or under the direction of, the REIT, and, absent manifest error, shall be final and binding upon the holders of Forward REIT Merger Entity Interests.

Section 1.09 TRANSACTION COSTS. If the Closing occurs, the REIT and the Operating Partnership shall be solely responsible for all transaction costs and expenses of the REIT, the Operating Partnership and the American Assets Entities in connection with the Formation Transactions and the IPO, which include, but are not limited to, the underwriting discounts and commissions. In the event the Closing does not occur, each party shall be responsible for its allocable portion of such costs and expenses in accordance with the terms of those certain letter agreements identified on Schedule II.

ARTICLE II

CLOSING; TERM OF AGREEMENT

Section 2.01 CLOSING. Unless this Agreement shall have been terminated pursuant to Section 2.05, and subject to the satisfaction or waiver of the conditions in Article VII, the filing of the Certificates of Merger, the Effective Time and the closing of the other transactions contemplated by this Agreement shall occur substantially concurrently with the receipt by the REIT of the proceeds from the IPO from the underwriters (the "Closing" or the

"Closing Date") in the order set forth on Exhibit D. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400 San Diego, California 92130 or such other place as determined by the REIT in its sole discretion. The Closing hereunder and the closing of the IPO shall be deemed concurrent for all purposes.

Section 2.02 PAYMENT OF MERGER CONSIDERATION.

(a) As soon as reasonably practicable after the Effective Time, the Surviving Entity (or its successor in interest) shall deliver to each holder of Forward REIT Merger Entity Interests, whose Forward REIT Merger Entity Interests have been converted into the right to receive the Merger Consideration pursuant to Section 1.05(a) hereof, the Merger Consideration payable to such holder in the amounts and form provided in Section 1.05(a) hereof. The issuance of any OP Units and admission of the recipients thereof as limited partners of the Operating Partnership pursuant to Section 1.05(a) shall be evidenced by an amendment to Exhibit A to the Operating Partnership Agreement, and the Operating Partnership shall deliver, or cause to be delivered, an executed copy of such amendment to each Pre-Formation Participant receiving OP Units hereunder. Any certificate representing REIT Shares issuable as Merger Consideration shall bear the following legend:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS THE TRANSFEROR DELIVERS TO THE CORPORATION AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.
>
> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND EXCEPT AS EXPRESSLY PROVIDED IN THE CORPORATION'S CHARTER, (I) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S COMMON STOCK IN EXCESS OF [__]% (IN VALUE OR NUMBER OF SHARES) OF THE OUTSTANDING SHARES OF COMMON STOCK OF THE CORPORATION UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN

WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (II) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK OF THE CORPORATION IN EXCESS OF [__]% OF THE VALUE OF THE TOTAL OUTSTANDING SHARES OF CAPITAL STOCK OF THE CORPORATION, UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (III) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN CAPITAL STOCK THAT WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (IV) NO PERSON MAY TRANSFER SHARES OF CAPITAL STOCK IF SUCH TRANSFER WOULD RESULT IN THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK IN EXCESS OR IN VIOLATION OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP SET FORTH IN (I) THROUGH (III) ABOVE ARE VIOLATED, THE SHARES OF CAPITAL STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY TAKE OTHER ACTIONS, INCLUDING REDEEMING SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID *AB INITIO*. ALL UNDERLINED TERMS IN THIS LEGEND HAVE THE MEANINGS DEFINED IN THE CHARTER OF THE CORPORATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF CAPITAL STOCK OF THE CORPORATION ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

(b) The Surviving Entity (or its successor in interest) shall not be liable to any holder of a Forward REIT Merger Entity Interest for any portion of the Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(c) It is intended that the Merger contemplated by this Agreement shall be treated as a "reorganization" within the meaning of Section 368(a) of the Code, and the regulations promulgated thereunder, and that this Agreement will be, and is, adopted as a plan of reorganization.

Section 2.03 TAX WITHHOLDING. The REIT and each Forward REIT Merger Entity shall be entitled to deduct and withhold from the consideration payable pursuant to this Agreement to any holder of a Forward REIT Merger Entity Interest such amounts required to be deducted and withheld with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Forward REIT Merger Entity Interests in respect of which such deduction and withholding was made.

Section 2.04 FURTHER ACTION. If, at any time after the Effective Time, the Surviving Entity shall determine or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Entity the right, title or interest in, to or under any of the rights, properties or assets of any Forward REIT Merger Entity acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Mergers or otherwise to carry out this Agreement, the Surviving Entity shall be authorized to execute and deliver, in the name and on behalf of any Forward REIT Merger Entity or otherwise, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of any Forward REIT Merger Entity or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Entity or otherwise to carry out this Agreement.

Section 2.05 TERM OF THE AGREEMENT. This Agreement shall terminate automatically if (i) the initial registration statement of the REIT for the IPO (the "Registration Statement") has not been filed with the Securities and Exchange Commission ("SEC") by March 31, 2011, or (ii) the Mergers shall not have been consummated on or prior to December 31, 2011 (such date is hereinafter referred to as the "Outside Date").

Section 2.06 EFFECT OF TERMINATION. In the event of termination of this Agreement for any reason, all obligations on the part of the REIT and each Forward REIT Merger Entity under this Agreement shall terminate, except that the obligations set forth in Article VIII shall survive; it being understood and agreed, however, for the avoidance of doubt, that if this Agreement is terminated because one or more of the conditions to a non-breaching party's obligations under this Agreement are not satisfied by the Outside Date as a result of the other party's material breach of a covenant, representation, warranty or other obligation under this Agreement or any other Formation Transaction Documentation, the non-breaching party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE REIT

The REIT hereby represents and warrants to each Forward REIT Merger Entity as follows:

Section 3.01 ORGANIZATION; AUTHORITY.

(a) The REIT has been duly incorporated and is validly existing and in good standing under the Laws of its jurisdiction of incorporation and upon the effectiveness of the REIT Charter, will have has all requisite power and authority to enter into this Agreement and the other Formation Transaction Documentation and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

(b) Schedule 3.01(b) sets forth as of the date hereof, (i) each Subsidiary of the REIT (each a "REIT Subsidiary"), (ii) the ownership interest therein of the REIT, and (iii) if not wholly owned by the REIT, the identity and ownership interest of each of the other owners of such REIT Subsidiary. Each REIT Subsidiary has been duly organized or formed and is validly existing and is in good standing under the Laws of its jurisdiction of organization or formation, as applicable, has all requisite power and authority to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

Section 3.02 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Formation Transaction Documentation (including each agreement, document and instrument executed and delivered by or on behalf of the REIT pursuant to this Agreement or the other Formation Transaction Documentation) by the REIT will have been duly and validly authorized by all necessary actions required of the REIT prior to the Closing. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of the REIT pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of the REIT, enforceable against the REIT in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 3.03 CONSENTS AND APPROVALS. Except for the filing of the Certificates of Merger in accordance with Section 1.02 hereof or in connection with the IPO and the consummation of the other Formation Transactions, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by the REIT in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby, except for (i) those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect,

or (ii) those consents of the Pre-Formation Participants under the Organizational Documents of the applicable American Assets Entity, the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

Section 3.04 NO VIOLATION. None of the execution, delivery or performance of this Agreement, the other Formation Transaction Documentation, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of the REIT, (B) any agreement, document or instrument to which the REIT or any of its assets are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on the REIT, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

Section 3.05 VALIDITY OF REIT SHARES. The REIT Shares to be issued pursuant to this Agreement will have been duly authorized by the REIT and, when issued against the consideration therefor, will be validly issued, fully paid and non-assesable, free and clear of all Liens created by the by the REIT (other than any Liens created by the REIT Charter).

Section 3.06 REIT Charter. Attached as Exhibit B hereto is a true and correct copy of the REIT Charter in substantially final form.

Section 3.07 LIMITED ACTIVITIES. Except for activities in connection with the IPO, the Formation Transactions or in the ordinary course of business, the REIT and the REIT Subsidiaries have not engaged in any material business or incurred any material obligations.

Section 3.08 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance there is no action, suit or proceeding pending or, to the knowledge of the REIT, threatened against the REIT or any REIT Subsidiary, other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation of the REIT, that individually or in the aggregate, would not reasonably be expected, (a) if adversely determined, to have a REIT Material Adverse Effect, or (b) to challenge or impair the ability of the REIT to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby to such an extent as would result in a REIT Material Adverse Effect.

Section 3.09 NO BROKER. The REIT has not entered into, and covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of any Forward REIT Merger Entity or any Affiliates thereof to pay any finder’s fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 3.10 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article III, the REIT, shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby. All representations, warranties and covenants of the REIT contained in this Agreement shall expire at the Closing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE FORWARD REIT MERGER ENTITIES

Except as disclosed in the Prospectus or the schedules attached hereto, each Forward REIT Merger Entity represents and warrants to the REIT that the following statements are true and correct solely with respect to such Forward REIT Merger Entity as of the Closing Date:

Section 4.01 ORGANIZATION; AUTHORITY.

(a) Each Forward REIT Merger Entity has been duly organized and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation and has all requisite power and authority to enter into this Agreement, each agreement contemplated hereby and the other Formation Transaction Documentation to which it is a party (including any agreement, document and instrument executed and delivered by or on behalf of such Forward REIT Merger Entity pursuant to this Agreement or the other Formation Transaction Documentation) and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate any Property owned, leased and/or operated by it and to carry on its business as presently conducted. Each Forward REIT Merger Entity, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of a Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

(b) Schedule 4.01(b) sets forth as of the date hereof with respect to such Forward REIT Merger Entity (i) each Subsidiary of such Forward REIT Merger Entity (each a "Forward REIT Merger Entity Subsidiary"), (ii) the ownership interest therein of such Forward REIT Merger Entity, (iii) if not wholly owned by such Forward REIT Merger Entity, the identity and ownership interest of each of the other owners of such Subsidiary, and (iv) each property owned or leased pursuant to a ground lease by such Forward REIT Merger Entity or such Subsidiary (each a "Property"). Such Forward REIT Merger Entity Subsidiary has been duly organized and is validly existing and is in good standing under the Laws of its jurisdiction of organization, and has all requisite power and authority to own, lease and/or operate its Property and to carry on its business as presently conducted. Such Forward REIT Merger Entity Subsidiary, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

Section 4.02 DUE AUTHORIZATION. The execution, delivery and performance by such Forward REIT Merger Entity of this Agreement and the other Formation Transaction Documentation (including any agreement, document and instrument executed and delivered by or on behalf of such Forward REIT Merger Entity pursuant to this Agreement or the other Formation Transaction Documentation) to which it is a party have been duly and validly authorized by all necessary actions required of such Forward REIT Merger Entity. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of such Forward REIT Merger Entity pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of such Forward REIT Merger Entity, each enforceable against such Forward REIT Merger Entity in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.03 CAPITALIZATION. Schedule 4.03 sets forth as of the date hereof the ownership of such Forward REIT Merger Entity. All of the issued and outstanding equity interests of such Forward REIT Merger Entity and each Forward REIT Merger Entity Subsidiary are duly authorized, validly issued and fully paid; and, to the knowledge of such Forward REIT Merger Entity, are not subject to preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights under the Organizational Documents of or any contract to which such Forward REIT Merger Entity is a party or otherwise bound, except for such preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights as would not prevent the Merger. There are no outstanding rights to purchase, subscriptions, warrants, options or any other security convertible into or exchangeable for equity interests in such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries.

Section 4.04 CONSENTS AND APPROVALS. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or any Governmental Authority or under any applicable Laws is required to be obtained by such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries in connection with the execution, delivery and performance of this Agreement, the other Formation Transaction Documentation to which such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries is a party and the transactions contemplated hereby and thereby, except for those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

Section 4.05 NO VIOLATION. None of the execution, delivery or performance of this Agreement, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the Organizational Documents of such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries or (B) any agreement, document or instrument to which such Forward REIT Merger Entity or its Forward REIT Merger Entity

Subsidiaries or any of their respective assets or properties are bound by or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

Section 4.06 LICENSES AND PERMITS. To the knowledge of such Forward REIT Merger Entity, all notices, licenses, permits, certificates and authorizations required for the continued use, occupancy, management, leasing and operation of the Properties have been obtained or can be obtained without material cost, are in full force and effect, are in good standing and (to the extent required in connection with the transactions contemplated by the Formation Transaction Documentation) are assignable to the REIT, except in each case for items that, if not so obtained, obtainable and/or transferred, would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect. To the knowledge of such Forward REIT Merger Entity neither such Forward REIT Merger Entity, nor its Forward REIT Merger Entity Subsidiaries, nor any third party has taken any action that (or failed to take any action the omission of which) would result in the revocation of any such notice, license, permit, certificate or authorization where such revocation or revocations would, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect, nor has any one of them received any written notice of violation from any Governmental Authority or written notice of the intention of any entity to revoke any such notice, license, permit, certificate or authorization, that in each case has not been cured or otherwise resolved to the satisfaction of such Governmental Authority or other entity and except as would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Adverse Effect.

Section 4.07 COMPLIANCE WITH LAWS. To the knowledge of such Forward REIT Merger Entity, such Forward REIT Merger Entity and its Forward REIT Merger Entity Subsidiaries have conducted their respective businesses in compliance with all applicable Laws, except for such failures that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Adverse Effect. To the knowledge of such Forward REIT Merger Entity, neither such Forward REIT Merger Entity, nor its Forward REIT Merger Entity Subsidiaries, nor any third party has been informed in writing of any continuing violation of any such Laws or that any investigation has been commenced and is continuing or is contemplated respecting any such possible violation, except in each case for violations that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

Section 4.08 PROPERTIES.

(a) Except as set forth in Schedule 4.08(a), such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiary is the insured under a policy of title insurance as the owner of, and, to the knowledge of such Forward REIT Merger Entity**,** such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiary is the owner of, the fee simple estate (or, in the case of certain Properties, the leasehold estate or tenancy-in-common estate) to the Property owned by such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiary, in each case free and clear of all Liens except for Permitted Liens. Prior to the

effective time of the merger contemplated hereby, neither such Forward REIT Merger Entity nor any of its Forward REIT Merger Entity Subsidiaries shall take or omit to take any action to cause any Lien to attach to any Property, except for Permitted Liens and Liens, if any, given to secure mortgage indebtedness encumbering such Property.

(b) Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect, to the knowledge of such Forward REIT Merger Entity, (1) neither such Forward REIT Merger Entity nor its Forward REIT Merger Entity Subsidiaries, nor any other party to any material agreement affecting any Property (other than a Lease (as such term is hereinafter defined) for space within such Property), is in breach or default of any such agreement, (2) no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any such agreement, or would, individually or together with all such other events, reasonably be expected to cause the acceleration of any material obligation of any party thereto or the creation of a Lien upon any asset of such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries, except for Permitted Liens, and (3) all agreements affecting any Property required for the continued use, occupancy, management, leasing and operation of such Property (exclusive of space Leases) are valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

(c) To the knowledge of such Forward REIT Merger Entity, as presently conducted, none of the operation of the buildings, fixtures and other improvements comprising a part of the Properties is in violation of any applicable building code, zoning ordinance or other "land use" Law, except for such violations that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

(d) Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect, (1) to the knowledge of such Forward REIT Merger Entity, neither such Forward REIT Merger Entity, nor its Forward REIT Merger Entity Subsidiaries, nor any other party to any Lease, is in breach or default of any such Lease, (2) to the knowledge of such Forward REIT Merger Entity, no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any Lease or would permit termination, modification or acceleration under such Lease, and (3) to the knowledge of such Forward REIT Merger Entity, each of the leases (and all amendments thereto or modifications thereof) to which such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries is a party or by which such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries or any Property is bound or subject (collectively, the "Leases") is valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.09 INSURANCE. Such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries has in place the public liability, casualty and other insurance coverage with respect to each Property owned, leased and/or managed by it as such Forward

REIT Merger Entity reasonably deems necessary and in all cases including such coverage as is required under the terms of any continuing loan or Lease. Each of the insurance policies with respect to each Property is in full force and effect in all material respects and all premiums due and payable thereunder have been fully paid when due. To the knowledge of such Forward REIT Merger Entity, neither such Forward REIT Merger Entity nor its Forward REIT Merger Entity Subsidiaries have received from any insurance company any notices of cancellation or intent to cancel any insurance.

Section 4.10 ENVIRONMENTAL MATTERS. Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect, to the knowledge of such Forward REIT Merger Entity, (A) such Forward REIT Merger Entity and its Forward REIT Merger Entity Subsidiaries are in compliance with all Environmental Laws, (B) neither such Forward REIT Merger Entity nor its Forward REIT Merger Entity Subsidiaries have received any written notice from any Governmental Authority or third party alleging that such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries or any Property is not in compliance with applicable Environmental Laws, and (C) there has not been a release of a hazardous substance on any of the Properties that would require investigation or remediation under applicable Environmental Laws. The representations and warranties contained in this Section 4.10 constitute the sole and exclusive representations and warranties made by such Forward REIT Merger Entity concerning environmental matters.

Section 4.11 EMINENT DOMAIN. There is no existing or, to the knowledge of such Forward REIT Merger Entity, proposed or threatened condemnation, eminent domain or similar proceeding, or private purchase in lieu of such a proceeding which would affect any of the Properties, except for such proceedings that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

Section 4.12 EXISTING LOANS. Schedule 4.12 lists, as of the date hereof, all secured loans presently encumbering the Properties or any direct or indirect interest in the applicable Forward REIT Merger Entity, and any unsecured loans relating thereto to be assumed by the REIT or any Subsidiary of the REIT at Closing (the "Disclosed Loans").

Section 4.13 FRANCHISE AGREEMENTS. To the knowledge of such Forward REIT Merger Entity, the franchise agreement set forth on Schedule 4.13 ("Franchise Agreement") is the only hotel franchise agreement in effect for any Property. Except as set forth on Schedule 4.13, neither the applicable Forward REIT Merger Entity nor any of its Forward REIT Merger Entity Subsidiaries, nor, to the knowledge of such Forward REIT Merger Entity, any other party to the Franchise Agreement, is in breach or default of the Franchise Agreement, except for such breach or default that would not, individually or in the aggregate, reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

Section 4.14 FINANCIAL STATEMENTS. The financial statements of such Forward REIT Merger Entity included in the Prospectus have been prepared in all material respects in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), subject, in the case of unaudited statements, to normal year-end audit adjustments, and fairly present in all material respects the financial condition and results of operations of such Forward REIT Merger Entity as of the dates indicated therein and for the periods ended as indicated therein.

Section 4.15 TAXES. Except as set forth in Schedule 4.15, (i) such Forward REIT Merger Entity and each of its Forward REIT Merger Entity Subsidiaries have timely and properly filed all Tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Authority having authority to do so), and all such returns and reports are accurate and complete in all material respects, and has paid (or had paid on its behalf) all Taxes as required to be paid by it, (ii) no income or material non-income Tax returns filed by such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries are the subject of a pending or ongoing audit, and (iii) except as would not have a Forward OP Merger Entity Material Adverse Effect, no deficiencies for any Taxes have been proposed, asserted or assessed against such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries, and no requests for waivers of the time to assess any such Taxes are pending. Except as set forth on Schedule 4.15, at all times since its formation, such Forward REIT Merger Entity (including any "predecessor corporation" (within the meaning of Treasury Regulations Section 1.1374-1(e)) to such Forward REIT Merger Entity) has continuously qualified as an "S corporation" within the meaning of Section 1361(a)(1) of the Code and all applicable corresponding provisions of state and local law, and no Tax authority has claimed in writing that such Forward REIT Merger Entity does not qualify as an S corporation.

Section 4.16 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, to the knowledge of such Forward REIT Merger Entity, there is no action, suit or proceeding pending or, to the knowledge of such Forward REIT Merger Entity, threatened against or affecting such Forward REIT Merger Entity, its Forward REIT Merger Entity Subsidiaries or Properties, or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation, which, if adversely determined would not have a Forward REIT Merger Entity Material Adverse Effect. There is no action, suit, or proceeding pending or, to the knowledge of such Forward REIT Merger Entity, threatened against or affecting such Forward REIT Merger Entity, its Forward REIT Merger Entity Subsidiaries or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing which challenges or impairs the ability of such Forward REIT Merger Entity to execute or deliver, or materially perform its obligations under this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby. Except for matters covered by insurance, there is no judgment, decree, injunction, rule or order of a Governmental Authority outstanding against such Forward REIT Merger Entity, its Forward REIT Merger Entity Subsidiaries or any officer, director, principal, managing member or general partner of any of the foregoing in their capacity as such, or which would reasonably be expected to have a Forward REIT Merger Entity Material Adverse Effect.

Section 4.17 NO INSOLVENCY PROCEEDINGS. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to such Forward REIT Merger Entity's knowledge, threatened against such Forward REIT Merger Entity, nor are any such proceedings contemplated by such Forward REIT Merger Entity.

Section 4.18 SECURITIES LAW MATTERS. Such Forward REIT Merger Entity acknowledges that: (i) the REIT intends the offer and issuance of REIT Shares to any Pre-Formation Participants to be exempt from registration under the Securities Act and applicable state securities laws by virtue of the status of such equity holder as an "accredited investor" (within the meaning of Rule 501(a) of Regulation D under the Securities Act) acquiring any REIT Shares in a transaction exempt from registration pursuant to Rule 506 of Regulation D under the Securities Act, and (ii) in issuing any REIT Shares pursuant to the terms of this Agreement, the REIT is relying on the representations made by each equity holder receiving REIT Shares as consideration in the Merger, which representations were set forth in Appendix D to the Request for Consent – Accredited Investor Representations Letter.

Section 4.19 NO BROKER. Such Forward REIT Merger Entity has not entered into, and it covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the REIT or any Affiliate to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 4.20 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article IV and any other agreement entered into in connection with the Formation Transactions to which it is a party, such Forward REIT Merger Entity shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby.

Section 4.21 OWNERSHIP OF CERTAIN ASSETS. Except as set forth in Schedule 4.21, no such Forward REIT Merger Entity nor any Forward REIT Merger Entity Subsidiary owns any loan assets or other securities of any issuer except for equity interests in other American Assets Entities.

Section 4.22 SURVIVAL OF REPRESENTATIONS AND WARRANTIES OF THE FORWARD REIT MERGER ENTITIES. The parties hereto agree and acknowledge that the representations and warranties set forth in this Article IV (other than Section 4.01, Section 4.02, Section 4.03, Section 4.18 and Section 4.23) shall not survive the Closing.

Section 4.23 NON-FOREIGN STATUS. Neither the Forward REIT Merger Entity nor any Forward REIT Merger Entity Subsidiary is not a foreign person (as defined in the Code).

ARTICLE V

COVENANTS AND OTHER AGREEMENTS

Section 5.01 PRE-CLOSING COVENANTS. During the period from the date hereof to the Closing Date (except as otherwise provided for or contemplated by this Agreement or in connection with the Formation Transactions), each Forward REIT Merger Entity shall use

commercially reasonable efforts to (and shall cause each of its Forward REIT Merger Entity Subsidiaries to) conduct its businesses and operate and maintain the Properties in the ordinary course of business consistent with past practice, pay its debt obligations as they become due and payable, and use commercially reasonable efforts to preserve intact its current business organizations and preserve its relationships with customers, tenants, suppliers, advertisers and others having business dealings with it, in each case consistent with past practice. In addition, and without limiting the generality of the foregoing, during the period from the date hereof to the Closing Date and except in connection with the Formation Transactions, each Forward REIT Merger Entity shall not (and shall not permit any of its Forward REIT Merger Entity Subsidiaries to) without the prior written consent of the REIT, which consent may be withheld by the REIT in its sole discretion:

(a) (i) other than distributions to the shareholders of such Forward REIT Merger Entity in connection with such holders' payment of any Taxes related to their ownership of the stock of the Forward REIT Merger Entity or as otherwise contemplated by this Agreement, declare, set aside or pay any dividends or distributions in respect of any Forward REIT Merger Entity Interests, except in the ordinary course of business consistent with past practice and in accordance with the applicable governing document of such Forward REIT Merger Entity, (ii) issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any Forward REIT Merger Entity Interests or make any other changes to the equity capital structure of such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries, or (iii) purchase, redeem or otherwise acquire any Forward REIT Merger Entity Interests or interests of its Forward REIT Merger Entity Subsidiaries or any other securities thereof;

(b) issue, deliver, sell, transfer, dispose, mortgage, pledge, assign or otherwise encumber, or cause the issuance, delivery, sale, transfer, disposition, mortgage, pledge, assignment or otherwise encumbrance of, any limited liability company, partnership interests or other equity interests of such Forward REIT Merger Entity or of its Forward REIT Merger Entity Subsidiaries or any other assets of such Forward REIT Merger Entity or its Forward REIT Merger Entity Subsidiaries;

(c) amend, modify or terminate any lease, contract or other instruments relating to the Property, except in the ordinary course of business consistent with past practice;

(d) amend its certificate of formation, certificate of organization, limited partnership agreement, limited liability company agreement or operating agreement, as applicable;

(e) adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(f) materially alter the manner of keeping such Forward REIT Merger Entity's or its Forward REIT Merger Entity Subsidiaries' books, accounts or records or the accounting practices therein reflected;

(g) make or change any Tax elections (except that, if applicable, such Forward REIT Merger Entity may, without the consent of the REIT, (i) terminate its election to be taxed as an S corporation up to three days prior to the expected pricing of the IPO and (ii) cause any Forward REIT Merger Entity Subsidiary that is a qualified subchapter S subsidiary to convert or merge into a wholly-owned limited liability company subsidiary of such Forward REIT Merger Entity that is a disregarded entity for federal Tax purposes); settle or compromise any claim, notice, audit report or assessment in respect of Taxes; change any annual Tax accounting period; adopt or change any method of Tax accounting; file any amended Tax return; enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any Tax; surrender of any right to claim a Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment;

(h) terminate or amend any existing insurance policies affecting any Property that results in a material reduction in insurance coverage for the Property;

(i) knowingly cause or permit such Forward REIT Merger Entity to violate, or fail to use commercially reasonable efforts to cure any violation of, any applicable Laws; or

(j) authorize, commit or agree to take any of the foregoing actions.

Section 5.02 CONSENT AND WAIVER OF RIGHTS UNDER ORGANIZATIONAL DOCUMENTS. As of the Closing, each of the Forward REIT Merger Entities waives and relinquishes all rights and benefits otherwise afforded to such Forward REIT Merger Entity (a) under its Organizational Documents including, without limitation, any rights of appraisal, rights of first offer or first refusal, buy/sell agreements, put, option or similar parallel exit or dissenter rights in connection with the Formation Transactions and the IPO and any right to consent to or approve of the sale or contribution or other transaction undertaken by any equity holder of such Forward REIT Merger Entity of their Forward REIT Merger Entity Interests to the REIT or any Affiliate thereof and any and all notice provisions related thereto and (b) for claims against the REIT or the Operating Partnership for breach by any of their respective present or former officers, directors, managing members, general partners or Affiliates of their fiduciary duties or similar obligations (including duties of disclosure) to any of their respective present or former shareholders, members, partners, equity interest holders or Affiliates. Each of the Forward REIT Merger Entities acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the Organizational Documents of each of the Forward REIT Merger Entities or other agreements among one or more holders of Forward REIT Merger Entities Interests or one or more of the partners or members, as applicable, of any of the Forward REIT Merger Entities. With respect to each of the Forward REIT Merger Entities and each Property in which the Forward REIT Merger Entity Interests represent a direct or indirect interest, each of the Forward REIT Merger Entities expressly give all consents (and any consents necessary to authorize the proper parties in interest to give all consents) and waivers it is entitled to give that are necessary or desirable to facilitate the contribution or other Formation Transactions relating to such Forward REIT Merger Entity or such Property. In addition, if the transactions contemplated hereby occur, this Agreement shall be deemed to be an amendment to the Organizational

Documents of each of the Forward REIT Merger Entities to the extent the terms herein conflict with the terms thereof, including without limitation, terms with respect to allocations, distributions and the like. In the event the transactions contemplated by this Agreement do not occur, nothing in this Agreement shall be deemed to be or construed as an amendment or modification of, or commitment of any kind to amend or modify, the Organizational Documents of any of the Forward REIT Merger Entities, which shall remain in full force and effect without modification.

Section 5.03 EXCLUDED ASSETS. Prior to or, as specified on Schedule 5.03, as soon as possible following the Closing and after such amounts are reasonably determinable, each Forward REIT Merger Entity shall distribute or cause to be distributed or paid out the assets identified on Schedule 5.03 (the "Excluded Assets").

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.01 COMMERCIALLY REASONABLE EFFORTS BY THE REIT AND THE FORWARD REIT MERGER ENTITIES. Each of the REIT and each Forward REIT Merger Entity shall use commercially reasonable efforts and cooperate with each other in (i) promptly determining whether any filings are required to be made or consents, approvals, waivers, permits or authorizations are required to be obtained (under any applicable Law or regulation or from any Governmental Authority or third party) in connection with the transactions contemplated by this Agreement, and (ii) promptly making (or causing to be made) any such filings, in furnishing information required in connection therewith and in timely seeking to obtain any such consents, approvals, waivers, permits and authorizations.

Section 6.02 TAX MATTERS.

(a) Each Forward REIT Merger Entity and its Subsidiaries shall timely file or cause to be timely filed when due all Tax returns required to be filed by or with respect to such Person on or prior to the Closing Date and shall pay or cause to be paid all Taxes shown due thereon. All such Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law.

(b) The REIT shall prepare or cause to be prepared and file or cause to be filed all income Tax returns of each Forward REIT Merger Entity and each of their Subsidiaries which are due after the Closing Date. All such income Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law. No later than ten (10) days prior to the due date (including extensions) for filing such income Tax returns, the REIT shall deliver such income Tax returns to American Assets, Inc. for its review and approval, which shall not be unreasonably withheld.

(c) The REIT shall prepare or cause to be prepared all other Tax returns of each Forward REIT Merger Entity and each of their respective Subsidiaries.

(d) The REIT and each Forward REIT Merger Entity will each use its reasonable best efforts to cause the Merger to qualify, and will use its reasonable best efforts not to, and not to permit or cause any of its Subsidiaries to, take any action that could reasonably be expected to prevent or impede the Merger from qualifying, as a reorganization within the meaning of Section 368 of the Code.

(e) Unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code, each of the REIT and each Forward REIT Merger Entity shall report the Merger as a "reorganization" within the meaning of Section 368(a) of the Code for federal income tax purposes.

(f) Following the Merger, the REIT will comply with the record-keeping and information filing requirements of Treasury Regulation Section 1.368-3.

Section 6.03 WITHHOLDING CERTIFICATE. Prior to Closing, each Forward REIT Merger Entity shall deliver to the REIT such forms and certificates, duly executed and acknowledged, in form and substance reasonably satisfactory to the REIT (including any relevant forms or certificates provided to the Forward REIT Merger Entity by the holders of Forward REIT Merger Entity Interests), certifying that the payment of consideration in each Merger is exempt from withholding under Section 1445 of the Code and any similar withholding rules under applicable state, local or foreign Tax Laws.

Section 6.04 TAX ADVICE. The REIT makes no representations or warranties to any Forward REIT Merger Entity or any holder of a Forward REIT Merger Entity Interest regarding the Tax treatment of the Mergers or the other Formation Transactions, or with respect to any other Tax consequences to any Forward REIT Merger Entity or any holder of a Forward REIT Merger Entity Interest of this Agreement, the Mergers or the other Formation Transactions. Each Forward REIT Merger Entity acknowledges that such Forward REIT Merger Entity and the holders of Forward REIT Merger Entity Interests are relying solely on their own Tax advisors in connection with this Agreement, the Mergers and the other Formation Transactions and agreements contemplated hereby.

Section 6.05 ALTERNATE TRANSACTION. In the event that the REIT determines that a structure change is necessary, advisable or desirable, the REIT may elect, in its sole and absolute discretion, to effect the Alternate Transaction, and in such case each Forward REIT Merger Entity hereby agrees and consents to such election, without the need for the REIT to seek any further consent or action from such Forward REIT Merger Entity, and agrees that the parties shall undertake the Alternate Transaction and shall, and it shall cause its members or partners, as applicable, and Subsidiaries to, enter into such agreements as shall be necessary to consummate the Alternate Transaction.

Section 6.06 EXCLUSION OF ENTITIES. The parties hereby agree that the REIT shall have the right, in its sole discretion, to exclude any of the Forward REIT Merger Entities from the Mergers after the date hereof until the Effective Time, provided that the REIT shall provide prior written notice to such Forward REIT Merger Entity regarding such exclusion.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.01 CONDITION TO EACH PARTY'S OBLIGATIONS. The respective obligation of each party to effect the Mergers and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date is subject to the satisfaction or waiver on or prior to the Effective Time of the following conditions:

(a) REGISTRATION STATEMENT. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings by the SEC seeking a stop order. This condition may not be waived by any party.

(b) NO INJUNCTION. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment, injunction, stay or other order (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of any of the transactions contemplated in this Agreement nor shall any of the same brought by a Governmental Authority of competent jurisdiction be pending or threatened that seeks the foregoing.

(c) OPERATING PARTNERSHIP AGREEMENT. The Operating Partnership Agreement, in substantially the form attached hereto as Exhibit F, shall have been executed and delivered by the partners of the Operating Partnership and shall be in full force and effect and, except as contemplated by Section 2.02 or the other Formation Transaction Documents, shall not have been amended or modified.

Section 7.02 CONDITIONS TO OBLIGATIONS OF THE FORWARD REIT MERGER ENTITIES. The obligation of each Forward REIT Merger Entity to effect the Mergers and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the Forward REIT Merger Entity, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have a REIT Material Adverse Effect, each of the representations and warranties of the REIT contained in this Agreement shall be true and correct in all material respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE REIT. Except as would not have a REIT Material Adverse Effect, the REIT shall have performed all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) REGISTRATION RIGHTS AGREEMENT. The REIT shall have entered into the registration rights agreement substantially in the form attached as Exhibit C. This condition may not be waived by any party.

(d) OWNERSHIP WAIVER. Solely with respect to Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns (collectively, the "Rady Group"), based on the shareholder representation letter described in Section 7.03(i), the Board of Directors of the REIT shall have granted an exception to the Common Stock Ownership Limit and the Aggregate Stock Ownership Limit set forth in the REIT Charter, providing the Rady Group with an Excepted Holder Limit (as defined in the REIT Charter) of [__]%.

(e) FIREMAN'S FUND HEADQUARTERS. Solely with respect to the merger of Pacific Novato Assets, Inc. with and into the REIT, (i) thirty (30) days shall have passed since the execution of this Agreement and (ii) Novato FF PT Investor, LLC, a Delaware limited liability company, shall have not exercised the right of first refusal granted to it pursuant to that certain Amended and Restated Limited Liability Company Agreement of Novato FF Venture, LLC, dated as of May 15, 2007, as amended.

Section 7.03 CONDITIONS TO OBLIGATION OF THE REIT. The obligations of the REIT to effect the Mergers and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the REIT, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have a Forward REIT Merger Entity Material Adverse Effect, each of the representations and warranties of the Forward REIT Merger Entities contained in this Agreement, as well as those of the Ernest Rady Trust U/D/T March 10, 1983, as amended (the "Rady Trust"), under the Representation, Warranty and Indemnity Agreement, shall be true and correct in all respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE FORWARD REIT MERGER ENTITIES. Each Forward REIT Merger Entity shall have performed in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) IPO CLOSING. The closing of the IPO shall occur substantially concurrently with the Closing.

(d) CONSENTS, ETC. All necessary consents or approvals of Governmental Authorities or third parties (including lenders) for each Forward REIT Merger Entity to consummate the transactions contemplated hereby shall have been obtained.

(e) NO MATERIAL ADVERSE CHANGE. There shall have not occurred between the date hereof and the Closing Date any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of each Forward REIT Merger Entity or Forward REIT Merger Entity Subsidiary and the Properties, taken as a whole.

(f) REPRESENTATION, WARRANTY AND INDEMNITY AGREEMENT. The Rady Trust shall have entered into the Representation, Warranty and Indemnity Agreement.

(g) ESCROW AGREEMENT. The parties thereto shall have entered into the Escrow Agreement.

(h) LOCK-UP AGREEMENT. Each of the Pre-Formation Participants owning interests in each Forward REIT Merger Entity shall have entered into the Lock-Up Agreement substantially in the form attached as Exhibit E.

(i) SHAREHOLDER REPRESENTATION LETTER. The Rady Group shall have executed and delivered a letter to the REIT setting forth certain representations and undertakings related to the Rady Group's ownership of REIT Shares in a form reasonably acceptable to the Board of Directors of the REIT and which allows the Board of Directors of the REIT to reasonably conclude that the ownership waiver and Excepted Holder Limit granted in Section 7.02(d) will not jeopardize the REIT's status as a real estate investment trust under the Code and make the other determinations required by the REIT Charter in connection with granting such waiver and Excepted Holder Limit.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.01 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (i) delivered personally, (ii) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (iii) one (1) Business Day after being sent by a nationally recognized overnight courier or (iv) transmitted by facsimile if confirmed within twenty-four (24) hours thereafter by a signed original sent in the manner provided in clause (i), (ii) or (iii) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party):

if to the REIT to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

if to a Forward REIT Merger Entity to:

11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

Section 8.02 DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings.

(a) "Accredited Investor" has the meaning set forth under Regulation D of the Securities Act.

(b) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(c) "Allocated Share" means the amount that would be allocated to a Pre-Formation Participant that is the holder of an interest in an American Assets Entity in accordance with the provisions of the existing Organizational Documents of such entity relating to distributions of distributable net proceeds from sales of directly or indirectly owned properties or assets, and assuming the sale of the relevant Target Asset or Target Assets that are directly or indirectly owned by such entity for a value equal to such Target Asset's or Target Assets' respective Equity Value(s).

Notwithstanding the foregoing, the Allocated Share of any Pre-Formation Participant shall reflect the following adjustments:

1. Intercompany Debt Adjustment. In calculating Allocated Share, all Intercompany Debt shall be taken into account so that the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligor of Intercompany Debt collectively are reduced, and the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligee of such Intercompany Debt collectively are increased, in each case by the amount of such Intercompany Debt (such adjustments being referred to as "Intercompany Debt Adjustments").

2. Entity Specific Debt Adjustment. To the extent that Entity Specific Debt is allocated to a Target Asset, in calculating Allocated Shares of holders of direct or indirect Pre-Formation Interests in the American Assets Entity or Entities owning such Target Asset, the amount of the decrease in Equity Value of such Target Asset attributable to the allocation of such Entity Specific Debt to such Target Asset (through the operation of the formula set forth on Schedule III) (in each case, such decrease being the "Decrease") shall be taken into account so that:

    a. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in any obligor(s) under such Entity Specific Debt collectively shall be (i) reduced by the amount equal to the excess of (w) the amount of the Entity Specific Debt owed by such obligor over (x) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset; or (ii) increased by the amount equal to the excess of (y) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset over (z) the amount of the Entity Specific Debt owed by such obligor; and

b. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in American Assets Entities owning such Target Asset that are not obligors under such Entity Specific Debt collectively shall be increased by the amount equal to the amount of the Decrease allocated pro rata to such holders as direct or indirect owner of the Target Asset;

with the net effect under the foregoing clauses (a)(i), (a)(ii) and (b) being that the adverse economic impact of the Decrease shall be borne equitably by the holders of direct or indirect Pre-Formation Interests in the actual obligor(s) under such Entity Specific Debt and not by any other holder of direct or indirect Pre-Formation Interests in the American Assets Entities owning such Target Asset.

Illustrative examples of the application of the foregoing Allocated Share adjustments using hypothetical numbers are included as Example 3 and Example 4 in ***Appendix A*** to Schedule III.

(d) "Alternate Transaction" means (i) a contribution of the assets held by a Forward REIT Merger Entity to the REIT in exchange for the amount of cash and the number of REIT Shares that were to be issued pursuant to this Agreement, (ii) a contribution of the assets held by a Forward REIT Merger Entity to the Operating Partnership in exchange for the amount of cash and a number of OP Units equal to the number of REIT Shares that were to be issued pursuant to this Agreement, (iii) a contribution by each holder of direct or indirect equity interests in a Forward Merger Entity to the Operating Partnership or the REIT in exchange for the amount of cash and the number of OP Units and/or REIT Shares that would have otherwise been received by such holder of direct or indirect equity interests pursuant to this Agreement, (iv) the restructuring of the Merger as either (x) a merger of the Forward REIT Merger Entity with and into either the Operating Partnership or a wholly owned subsidiary of the REIT or the Operating Partnership or (y) a merger of a wholly owned subsidiary of either the REIT or the Operating Partnership with and into the Forward REIT Merger Entity, in each case in exchange for the amount of cash and the number of REIT Shares that were to be issued pursuant to this Agreement (or the amount of cash and a number OP Units equal to the number of REIT Shares that were to be issued pursuant to this Agreement), or (v) any other transaction pursuant to which the REIT, the Operating Partnership or any of their Subsidiaries acquire the assets held by a Forward REIT Merger Entity or each holder of direct or indirect equity interests in such Forward REIT Merger Entity in a transaction pursuant to which each holder of direct or indirect interests in such Forward REIT Merger Entity receives the amount of cash, the number of OP Units and/or the number of REIT Shares that were to be received by such holder pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets acquired by the REIT, the Operating Partnership or any of their Subsidiaries pursuant to such Alternate Transaction).

(e) "American Assets Entity" means a Forward OP Merger Entity, Forward REIT Merger Entity, OP Sub Reverse Merger Entity, OP Sub Forward Merger Entity, REIT Sub Forward Merger Entity, or Contributed Entity, as applicable. As used herein, "American Assets Entities" refer to each American Assets Entity, collectively.

(f) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California.

(g) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(h) "Consent Form" means the forms provided to each holder of Pre-Formation Interests to consent to the Formation Transactions and to make such holder's irrevocable elections with respect to consideration to be received in the Formation Transactions.

(i) "Environmental Laws" means all federal, state and local Laws governing pollution or the protection of human health or the environment.

(j) "Escrow Agreement" means the Indemnity Escrow Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(k) "Equity Value" has the meaning set forth in Schedule III hereto.

(l) "Formation Transaction Documentation" means all of the agreements and plans of merger (including this Agreement) relating to all target entities and all contribution agreements and related documents and agreements, substantially in the forms accompanying the Request for Consent dated July 31, 2010 and identified in Exhibit A hereto, pursuant to which all of the American Assets Entities and/or the equity interests in the American Assets Entities held by the Pre-Formation Participants are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(m) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(n) "Forward REIT Merger Entity Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the applicable Forward REIT Merger Entity and each subsidiary of such Forward REIT Merger Entity, taken as a whole.

(o) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(p) "IPO Closing Date" means the closing date of the IPO.

(q) "Intercompany Debt" means loans or advances among American Assets Entities and/or their Subsidiaries or among holders of Pre-Formation Interests on the one hand and American Assets Entities and/or their Subsidiaries on the other hand, other than those promissory notes set forth on *Appendix D* to Schedule III for which Del Monte Center is listed as the associated Target Asset, each of which loans or advances are set forth on Schedule IV hereto. Intercompany Debt shall not be discharged pursuant to the Formation Transactions except to the extent any such Intercompany Debt merges out of existence by operation of law as a result of such transactions (e.g., if the Operating Partnership acquires both the obligor and obligee interest in a loan which reflects an Intercompany Debt). After the closing of the Formation Transactions, and except as provided below, to the extent any such loans are acquired by the REIT, Operating Partnership or their Subsidiaries (e.g., an obligor or obligee with respect to such loans is merged with or into, or acquired by, one of such entities), the REIT, Operating Partnership or their Subsidiaries (as applicable) shall be permitted to take any actions (including repayment) with respect to such Intercompany Debt as they deem appropriate. Intercompany Debt with respect to which either the obligor or the obligee (but not both such parties) under such Intercompany Debt is acquired, directly or indirectly, by the REIT, Operating Partnership or their Subsidiaries, shall be deemed to be discharged immediately after the Formation Transactions by (i) the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligor, or (ii) the obligor to the

REIT, Operating Partnership or their Subsidiaries (as applicable) as obligee, in each case in exchange for the consideration payable as set forth in the applicable Formation Transaction Documentation. The amounts payable and receivable with respect to each item of Intercompany Debt shall be determined by the REIT, for purposes of determining the Intercompany Debt Adjustments, within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

(r) "IPO Price" means the initial public offering price of a REIT Share in the IPO.

(s) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(t) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(u) "Lock-Up Agreement" means that certain Lock-Up Agreement, by and between the underwriters and each investor of the REIT and/or the Operating Partnership.

(v) "Operating Partnership Agreement" means the agreement of limited partnership of the Operating Partnership, as amended and restated and in effect immediately prior to the Effective Time.

(w) "Organizational Documents" means the certificate of formation, certificate of incorporation and bylaws, certificate of limited partnership and limited partnership agreement, limited liability company agreement or operating agreement, of each Forward REIT Merger Entity or Forward REIT Merger Entity Subsidiary, as applicable.

(x) "Permitted Liens" means (i) Liens, or deposits made to secure the release of such Liens, securing Taxes, the payment of which is not delinquent or the payment of which (including, without limitation, the amount or validity thereof) is being contested in good faith by appropriate proceedings for which adequate reserves have been made in accordance with GAAP; (ii) zoning, entitlement, building and other land use Laws imposed by governmental agencies having jurisdiction over the Properties; (iii) covenants, conditions, restrictions, easements for public utilities, encroachments, rights of access or other non-monetary matters that do not materially impair the use of the Properties for the purposes for which they are currently being used or proposed to be used in connection with the relevant Person's business; (iv) Liens securing financing or credit arrangements existing as of the Closing Date; (v) Liens arising under leases in effect as of the Closing Date; (vi) any exceptions contained in any title policy (including any policy issued to a secured lender) relating to the Properties as of the Closing Date; (vii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business that are not yet due and payable and which are not, in the aggregate, material to the business, operations and financial condition of the Properties so encumbered; and (viii) any matters that would not have a Forward REIT Merger Entity Material Adverse Effect.

(y) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(z) "Pre-Formation Interests" means the interests held by the Pre-Formation Participants in the American Assets Entities.

(aa) "Pre-Formation Participants" means the holders of the direct and indirect equity interests in the relevant American Assets Entities immediately prior to the Formation Transactions.

(bb) "Prospectus" means the REIT's final prospectus as filed with the SEC.

(cc) "REIT Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the REIT and each REIT Subsidiary, taken as a whole.

(dd) "Representation, Warranty and Indemnity Agreement" means the Representation, Warranty and Indemnity Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(ee) "Securities Act" means the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder.

(ff) "Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person owns (either directly or through or together with another Subsidiary of such Person) either (i) a general partner, managing member or other similar interest, or (ii)(A) ten percent (10%) or more of the voting power of the voting capital stock or other equity interests, or (B) ten percent (10%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity.

(gg) "Target Asset" has the meaning set forth in Schedule III hereto.

(hh) "Tax" means all federal, state, local and foreign income, gross receipts, license, property, withholding, sales, franchise, employment, payroll, goods and services, stamp, environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

(ii) "Underwriting Agreement" means that certain underwriting agreement, by and between the REIT, the Operating Partnership and certain underwriters set forth therein, pursuant to which the REIT will issue and sell shares in the IPO.

Section 8.03 COUNTERPARTS. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

Section 8.04 ENTIRE AGREEMENT; THIRD-PARTY BENEFICIARIES. This Agreement, the other Formation Transaction Documentation and the Consent Forms to which the parties hereto are a party, including, without limitation, the exhibits and schedules hereto and thereto, constitute the entire agreement and, except as set forth in Section 1.09, supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

Section 8.05 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, regardless of any Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 8.06 ASSIGNMENT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; *provided*, *however*, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that the REIT may assign its rights and obligations hereunder to an Affiliate.

Section 8.07 JURISDICTION. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the County of San Diego, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

Section 8.08 DISPUTE RESOLUTION. The parties intend that this Section 8.08 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to Section 8.08(c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this agreement to arbitrate) that is not resolved pursuant to Section 8.08(a) above shall be submitted to final and binding arbitration in California before one neutral and impartial arbitrator, in accordance with the Laws of the State of California for agreements made in and to be performed in that State. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. Each of the REIT, on the one hand, and any Forward REIT Merger Entity, on the other hand, shall appoint one arbitrator within fifteen (15) days of a demand for arbitration. If the REIT and any Forward REIT Merger Entity cannot mutually agree upon an arbitrator within such 15-day period, the arbitrator shall be appointed by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs, and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

Section 8.09 SEVERABILITY. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable law, but if any provision is held invalid, illegal or unenforceable under applicable law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

Section 8.10 RULES OF CONSTRUCTION.

(a) The parties hereto agree that they have had the opportunity to be represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Unless explicitly stated otherwise herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

Section 8.11 EQUITABLE REMEDIES. The parties agree that irreparable damage would occur to the REIT in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the REIT shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by any Forward REIT Merger Entity and to enforce specifically the terms and provisions hereof in any federal or state court located in California, this being in addition to any other remedy to which the REIT is entitled under this Agreement or otherwise at law or in equity.

Section 8.12 WAIVER OF SECTION 1542 PROTECTIONS. As of the Closing, each Forward REIT Merger Entity expressly acknowledges that it has had, or has had and waived, the opportunity to be advised by independent legal counsel and hereby waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542 which provides:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Section 8.13 TIME OF THE ESSENCE. Time is of the essence with respect to all obligations under this Agreement.

Section 8.14 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 8.15 NO PERSONAL LIABILITY CONFERRED. This Agreement shall not create or permit any personal liability or obligation on the part of any officer, director, partner, employee or shareholder of the REIT or any Forward REIT Merger Entity.

Section 8.16 AMENDMENTS. This Agreement may be amended by appropriate instrument, without the consent of any Forward REIT Merger Entity, at any time prior to the Effective Time; *provided*, that no such amendment, modification or supplement shall be made that alters the amount or changes the form of the consideration to be delivered to a Forward REIT Merger Agreement Entity, without the prior written consent of the Forward REIT Merger Agreement Entity adversely affected by such proposed amendment, modification or supplement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

EACH FORWARD REIT MERGER ENTITY
LISTED ON SCHEDULE I HERETO

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation, its attorney-in-fact

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

[Signature Page to Forward REIT Merger Agreement]

Schedule I

List of Forward OP Merger Entities:

1. Solana Beach Towne Centres Investments, L.P.
2. Pacific San Jose Holdings, L.P.
3. Pacific Sorrento Mesa Holdings, L.P.
4. Hillside 104, a California limited partnership
5. Hillside 276, a California limited partnership
6. Desert Hillside Holdings, LLC
7. BWH Holdings, LLC
8. Waikele Center Holdings, LP

List of Forward REIT Merger Entities:

1. Pacific Stonecrest Assets, Inc.
2. Pacific National City Assets, Inc.
3. Western Assets, Inc.
4. Pacific Towne Centre Assets, Inc.
5. Pacific Oceanside Assets, Inc.
6. Pacific San Jose Assets, Inc.
7. KMBC Assets, Inc.
8. Hero Retail, Inc.
9. Pacific Sorrento Valley Assets I, Inc.
10. Pacific Sorrento Mesa Assets, Inc.
11. Beach Walk Assets, Inc.
12. ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]
13. ICW Valencia, Inc.
14. Pacific Torrey Reserve Assets, Inc.
15. Landmark Assets, Inc.
16. Landmark One Market, Inc.
17. Pacific Novato Assets, Inc.
18. Waikele Center Assets, Inc.

List of OP Sub Forward Merger Entities:

1. Pacific Stonecrest Holdings, L.P.
2. Rancho Carmel Plaza, a California limited partnership
3. Pacific Oceanside Holdings, L.P.
4. Kearny Mesa Business Center, a California limited partnership
5. Del Monte Center Holdings, LP
6. Beach Walk Holdings, LP
7. ICW Plaza, L.P., a California limited partnership
8. ICW Valencia, L.P.
9. Desert Oceanside Holdings, LLC
10. San Diego Loma Palisades, L.P.

List of OP Sub Reverse Merger Entities:

1. Pacific Waikiki Holdings, L.P.
2. ABW Lewers LLC
3. King Street Holdings, LP

4. Loma Palisades, a California general partnership

List of REIT Sub Forward Merger Entities:

1. Pacific Del Mar Assets, Inc.
2. Pacific Carmel Mountain Assets, Inc.
3. Pacific Solana Beach Assets, Inc.
4. Pacific Waikiki Assets, Inc.
5. King Street Assets, Inc.
6. Pacific Sorrento Valley Assets II, Inc.
7. Pacific Santa Fe Assets, Inc.

List of Contributed Entities:

1. American Assets Trust Management, LLC
2. Winrad Vista Hacienda, a California general partnership

3. Vista Hacienda, a California limited partnership
4. Pacific American Assets Holdings, L.P., a California limited partnership
5. Carmel Country Plaza, L.P.
6. Pacific Carmel Mountain Holdings, L.P.
7. Pacific National City Holdings, L.P.
8. Pacific Solana Beach Holdings, L.P.
9. Pacific San Jose Holdings, L.P.
10. Winrad Kearny Mesa Business Center, a California general partnership
11. Pacific Sorrento Valley Holdings I, L.P.
12. Pacific Sorrento Mesa Holdings, L.P.
13. Beach Walk Holdings, LP
14. ICW Plaza, L.P., a California limited partnership
15. ICW Valencia, L.P.
16. Pacific Sorrento Valley Holdings II, L.P.
17. EBW Hotel LLC
18. Imperial Strand, a California limited partnership
19. Winrad Imperial Strand, a California general partnership
20. San Diego Loma Palisades, L.P.
21. Mariner’s Point, LLC
22. Pacific Santa Fe Holdings, L.P.

Schedule II

Reimbursement Agreements

1. Letter Agreement by and among American Assets, Inc. and the Property Entities (as defined therein) dated May 17, 2010

Schedule III

Calculation of Equity Value

For purposes of all Formation Transaction Documentation, "Equity Value" of any Target Asset directly or indirectly owned by the American Assets Entity subject to such agreement shall be calculated pursuant to the formula set forth below. Capitalized terms used in this Schedule III shall have the meanings set forth below and capitalized terms used herein without definition shall have the meanings assigned to such terms in the Agreement.

$$EV = EP \times [TFTV\text{-}TPA]+AA;$$

where:

EV = Equity Value;
EP = Equity Percentage;
TFTV= Total Formation Transaction Value;
TPA = Total Portfolio Adjustment; and
AA = Asset Adjustment;

provided, however, that if the resulting Equity Value for a Target Asset is a negative amount (a "Net Deficit"), then the REIT shall exercise one of the following options, as determined by the REIT in its sole and absolute discretion: (i) select the Target Asset as an Eliminated Asset or (ii) if one or more entities that are subject to the Formation Transaction Documentation that are the direct or indirect owners of such Target Asset would otherwise possess Excluded Assets the value of which in the aggregate would equal or exceed the amount of such Net Deficit, increase the Target Net Working Capital with respect to such entity or entities by the absolute value of such Net Deficit; and *provided further* that if the REIT shall have exercised option (ii) with respect to any Target Asset, the Equity Value with respect to such Target Asset shall be deemed to be equal to zero;

provided further, that if the Equity Value for ICW Valencia/Valencia Corporate Center as calculated above would result in the holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. having an amount of Allocated Shares, prior to the application of the Intercompany Debt Adjustments, that is less than the value of the Intercompany Debt owed by ICW Valencia, L.P. to ICW Plaza, L.P. (such shortfall being referred to as the "Intercompany Debt Shortfall"), then (i) Western Insurance Holdings, Inc. shall issue a promissory note with a term of three years to ICW Valencia, L.P. which shall be treated as an Asset Adjustment with respect to ICW Valencia/Valencia Corporate Center and such promissory note (the "WIH Note") shall have such face amount as shall be necessary to increase the Equity Value of ICW Valencia/Valencia Corporate Center such that the Allocated Shares of holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. shall increase by an amount, prior to the application of the Intercompany Debt Adjustments, equal to the Intercompany Debt Shortfall and (ii) the Equity Value for ICW Valencia/Valencia Corporate Center shall be recalculated to give effect to the Asset Adjustment attributable to the issuance of the WIH Note.

Attached as ***Appendix A*** to this Schedule III are illustrative calculations of Equity Value for a hypothetical portfolio of Target Assets.

"Actual Balance" shall mean: (i) with respect to each Existing Loan to be assumed in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such assumption and all assumption fees and any related expenses with respect to such Existing Loan; and (ii) with respect to each Existing Loan to be prepaid, repaid or refinanced in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such prepayment, repayment or refinancing and any related prepayment penalties and any related expenses; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Actual Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed. With respect to each Existing Loan to be assumed, prepaid, repaid or refinanced in connection with the Formation Transactions, the Actual Balance as of the Closing Date shall be determined by the REIT within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

"Asset Adjustment" shall mean with respect to each Target Asset and any Existing Loan relating to such Target Asset, an amount equal to the Base Balance minus the Actual Balance (expressed as a positive or negative number, as applicable) with respect to all Existing Loans relating to such Target Asset, and in the case of ICW Valencia/Valencia Corporate Center, the face value of the WIH Note shall be deemed to reduce the Actual Balance of the Existing Loan relating to ICW Valencia/Valencia Corporate Center.

"Base Balance" shall mean with respect to each Existing Loan, the principal amount of such Existing Loan set forth on ***Appendix C*** to this Schedule III; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Base Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Eliminated Asset" shall mean any Target Asset subject to the Formation Transaction Documentation that is excluded pursuant to the terms of the Formation Transaction Documentation from the Formation Transactions.

"Equity Percentage" shall mean with respect to each Target Asset, the percentage (expressed as a decimal) set forth opposite the name of such Target Asset on ***Appendix B*** to this Schedule III (which percentage is based on the Fairness Opinion of Duff & Phelps, LLC and represents such

Target Asset's percentage of the net asset values of the Target Assets (other than the Management Company) and the net equity value of the Management Company, taken as a whole); *provided*, *however*, that in the event a Target Asset is selected as or otherwise becomes for any reason an Eliminated Asset, then: (i) the Equity Percentage for each remaining Target Asset shall be recalculated as a fraction, the numerator of which is the original Equity Percentage for such remaining Target Asset and the denominator of which is (A) 100 minus (B) the original Equity Percentage of the Eliminated Asset; and (ii) the Equity Percentage of the Eliminated Asset shall be zero; and *provided*, *further*, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then, after giving effect to any Eliminated Assets pursuant to the preceding proviso, the Equity Percentage for such Target Asset and for each other remaining Target Asset subject directly or indirectly to the Formation Transaction Documentation shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Excluded Assets" has the meaning set forth in Section 5.03 to the Agreement.

"Existing Loan" shall mean (i) each mortgage or mezzanine loan secured by a Target Asset listed on ***Appendix C*** to this Schedule III and (ii) all unsecured indebtedness of an American Assets Entity or of an entity in which an American Assets Entity has a direct or indirect interest that will be assumed, prepaid, repaid or refinanced in connection with the IPO and that is set forth on ***Appendix D*** to this Schedule III (all indebtedness falling within the scope of this clause (ii) shall be referred to as "Entity Specific Debt"); for the avoidance of doubt, no Intercompany Debt shall constitute an Existing Loan (in order to avoid double counting, as Intercompany Debt is adjusted for through the definition of "Allocated Share"). Existing Entity Specific Debt will be deemed to relate to the Target Asset(s) and, if to multiple Target Assets, in the proportions set forth opposite the name of such Entity Specific Debt on ***Appendix D*** to this Schedule III, and all such Entity Specific Debt will be deemed to have a Base Balance of zero (because "Equity Percentage" as determined by Duff & Phelps, LLC was determined at the property level and did not take into account Entity Specific Debt, Entity Specific Debt is deemed to be zero in order to cause a readjustment of "Equity Value" of all Target Assets after taking into account such Entity Specific Debt).

"Target Asset" shall mean each property set forth on Appendix B to this Schedule III and the property management business of American Assets, Inc. (the "Management Company").

"Target Net Working Capital" has the meaning set forth in Schedule 5.03 to the Agreement.

"Total Portfolio Adjustment" shall mean the sum (which may be a positive or negative number) of all Asset Adjustments for every Target Asset, excluding Eliminated Assets.

"Total Formation Transaction Value" shall mean the aggregate dollar value of (i) the cash, (ii) the REIT Shares and (iii) the OP Units that are issued or issuable to all Pre-Formation Participants in the Formation Transactions as set forth in the Prospectus. Total Formation Transaction Value will be determined valuing REIT Shares and OP Units at a value per REIT Share or OP Unit equal to the IPO Price.

Appendix A to Schedule III

Worked Examples

The figures and calculations included in this ***Appendix A*** are for illustrative purposes only and are based on a hypothetical portfolio of properties. Neither the hypothetical Total Formation Transaction Value nor any of the other figures or calculations presented on ***Appendix A*** shall be binding on the REIT or the Operating Partnership, and should not be considered an indication of value of the American Assets Entities. The value of the American Assets Entities will ultimately be determined by the REIT in consultation with the underwriters of the IPO based on public investor demand and may be lower or higher than the hypothetical Total Formation Transaction Value shown on ***Appendix A***. In addition, the calculations in ***Appendix A*** assume that each of Target Assets in this hypothetical portfolio of properties will be wholly owned, directly or indirectly, by the REIT.

Example - Base Case

In the hypothetical examples shown below, the Target Assets that will be acquired by the REIT in the Formation Transactions consist of four shopping centers. The Total Formation Transaction Value, or "TFTV," for this entire portfolio of properties will be $400, absent the impact of certain potential adjustments described in the subsequent examples. Each Target Asset (i) is subject to a $25 mortgage, (ii) was determined by a third-party valuator to have a relative equity value equal to 25% of the entire portfolio and (iii) has two owners, each of whom has a 50% interest in the property.

Target Asset	Equity Percentage ("EP") (determined by 3rd party valuator)	Property Holding Companies & Ownership %
Shopping Center 1	25%	Company A (50%) Company B (50%)
Shopping Center 2	25%	Company C (50%) Company D (50%)
Shopping Center 3	25%	Company E (50%) Company F (50%)
Shopping Center 4	25%	Company G (50%) Company H (50%)
Total	100%	

Applying the Equity Value formula and assuming that there is no Entity Specific Debt and no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [400 - 0] + 0
Shopping Center 2	100 = 25% x [400 - 0] + 0
Shopping Center 3	100 = 25% x [400 - 0] + 0

Shopping Center 4	100 = 25% x [400 - 0] + 0
Total Equity Value	400

Example 2 – Mortgage Payoff

In this example, all of the facts described in the Base Case above are the same, except that prior to the completion of the Formation Transactions, the $25 mortgage on Shopping Center 1 is paid off such that at the time that Shopping Center 1 is acquired by the Operating Partnership it is not subject to any mortgage debt. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 1:

Property	**Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)**
Shopping Center 1	25 = 25 – 0
Shopping Center 2	0 = 25 – 25
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	25

In addition, by virtue of the reduction in the outstanding mortgage debt that will be assumed by the Operating Partnership in connection with the Formation Transactions, the Total Formation Transaction Value will have increased by the $25 value of the mortgage repayment from $400 to $425.

Applying the Equity Value formula reflecting these new facts and assuming that there is no Entity Specific Debt, the Equity Value of each of the four properties is as set forth below:

Property	**Equity Value = EP x [TFTV – TPA] + AA**
Shopping Center 1	125 = 25% x [425 - 25] + 25
Shopping Center 2	100 = 25% x [425 - 25] + 0
Shopping Center 3	100 = 25% x [425 - 25] + 0
Shopping Center 4	100 = 25% x [425 - 25] + 0
Total Equity Value	425

Example 3 – Entity Specific Debt

In this example, all of the facts described in the Base Case above are the same, except that Company C is subject to $25 of Entity Specific Debt related to Shopping Center 2, which will be assumed by the Operating Partnership upon the completion of the Formation Transactions. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 2:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	0 = 25 – 25
Shopping Center 2	-25 = 25 – 50
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	-25

In addition, by virtue of the assumption by the Operating Partnership of this Entity Specific Debt in connection with the Formation Transactions, the Total Formation Transaction Value will have decreased by the $25 value of the Entity Specific Debt from $400 to $375.

Applying the Equity Value formula reflecting these new facts and assuming that there is no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [375 - (-25)] + 0
Shopping Center 2	75 = 25% x [375 - (-25)] + (-25)
Shopping Center 3	100 = 25% x [375 - (-25)] + 0
Shopping Center 4	100 = 25% x [375 - (-25)] + 0
Total Equity Value	375

Here, through the operation of the Equity Value formula, all $25 of Company C's Entity Specific Debt has been allocated to Shopping Center 2 and has not impacted the Equity Value of the other Target Assets. However, without further adjustment, Company C and Company D, each as a 50% owner of Shopping Center 2, are equally burdened by Company C's Entity Specific Debt as show below:

	Company C	Company D
Allocated Share (unadjusted) of Equity Value before Inclusion of Entity Specific Debt:	50 = 100 x 50%	50 = 100 x 50%
Allocated Share (unadjusted) of Equity Value after Inclusion of Entity Specific Debt:	37.5 = 75 x 50%	37.5 = 75 x 50%
Decrease in Allocated Share (unadjusted) of Equity Value due to Inclusion of Entity Specific Debt:	12.5 = 50 - 37.5	12.5 = 50 - 37.5

Accordingly, by virtue of the operation of the Equity Value formula, Company C has only been allocated half ($12.5 of $25.0) of the Company C Entity Specific Debt obligation that should be allocated to Company C, and Company D has been allocated the remaining $12.5.

In order to address this inequitable allocation of Company C Entity Specific Debt , the definition of “Allocated Share” provides for an adjustment to (i) reduce the amount that would otherwise be payable to Company C by the amount by which the Entity Specific Debt exceeds the amount of such obligation that was previously allocated to Company C and (ii) increase the amount payable to Company D by the amount of the Entity Specific Debt obligation that was previously allocated to Company D, with the following outcome:

	Company A	Company B
Allocated Share (adjusted):	25 = 37.5 - 12.5	50 = 37.5 + 12.5

As a result of this adjustment to the Allocated Shares of Company C and Company D, the economic impact of all of Company C’s Entity Specific Debt will be allocated to Company C.

Example 4 – Intercompany Debt

In this example, all of the facts described in the Base Case above are the same, except that between the owners of Shopping Center 3, Company E has an Intercompany Debt obligation in the amount of $25 to Company F.

Prior to the application of the adjustments contained in the definition of Allocated Share, the Allocated Shares of the Owners of Shopping Center 3 would be as follows:

	Company E	Company F
Allocated Share (unadjusted):	50 = 100 x 50%	50 = 100 x 50%

To account for Intercompany Debt, the definition of "Allocated Share" provides an adjustment to (i) reduce the Allocated Share that would otherwise be payable to Company E by an amount equal to its indebtedness to Company F and (ii) increase the Allocated Share that would otherwise be payable to Company F by an amount equal to Company E's indebtedness to Company F, with the following outcome:

	Company E	Company F
Allocated Share (adjusted):	25 = 100 x 50% - 25	75 = 100 x 50% + 25

As a result of this adjustment to the Allocated Shares of Company E and Company F, the Intercompany Debt obligations between these entities have now been resolved.

Appendix B to Schedule III

Equity Percentage for Each Target Asset

Target Asset	Equity Percentage
Alamo Quarry Market	10.1916%
Carmel Country Plaza	4.8359%
Carmel Mountain Plaza	7.1580%
South Bay Marketplace	0.3157%
Lomas Santa Fe Plaza	6.5271%
Rancho Carmel Plaza	0.4388%
Solana Beach Towne Centre	5.6143%
The Shops at Kalakaua	0.2883%
Del Monte Center	5.7928%
Waikele Center	9.0461%
Waikiki Beach Walk	
Waikiki Beach Walk Retail	0.6668%
Embassy Suites at Waikiki Beach Walk	6.3419%
ICW Valencia/Valencia Corporate Center	1.7184%
Torrey Reserve	
ICW Plaza	2.0728%
Torrey Reserve North Court I & II	4.1456%
Torrey Reserve South Court I & II	4.7826%
Torrey Daycare	0.2370%
Torrey VC I-III	1.2492%
Existing Common Area – Future Development Parcel	0.3981%
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	2.2375%
Solana Beach Corporate Centre – III & IV	0.3116%
Solana Beach Towne Centres Investments (Vacant Land)	0.0686%
160 King Street	2.4814%
The Landmark at One Market	5.5594%
Fireman’s Fund Headquarters	9.6718%
Imperial Beach Gardens	0.6589%
Loma Palisades	2.5884%
Mariner’s Point	0.2745%
Santa Fe Park RV Resort	0.3873%
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	0.1235%
Sorrento Pointe	0.2471%
Management Company (American Assets Trust Management, LLC)	3.5690%
Total	100.0000%

Appendix C to Schedule III

Base Balance of Existing Loans
(other than Entity Specific Debt)

Target Asset	Base Balance of Existing Loan
Alamo Quarry Market	$ 98,954,256
Carmel Country Plaza	$ 10,271,191
Carmel Mountain Plaza	$ 63,554,812
South Bay Marketplace	$ 23,000,000
Lomas Santa Fe Plaza	$ 19,850,458
Rancho Carmel Plaza	$ 8,103,021
Solana Beach Towne Centre	$ 40,000,000
The Shops at Kalakaua	$ 19,000,000
Del Monte Center	$ 82,300,000
Waikele Center	$ 140,700,000
Waikiki Beach Walk	
Waikiki Beach Walk Retail	$ 145,742,438
Embassy Suites at Waikiki Beach Walk	$ 53,000,000
ICW Valencia/Valencia Corporate Center	$ 23,581,507
Torrey Reserve	
ICW Plaza	$ 43,000,000
Torrey Reserve North Court I & II	$ 22,299,822
Torrey Reserve South Court I & II	$ 13,059,008
Torrey Daycare	$ 1,673,363
Torrey VC I-III	$ 7,500,000
Existing Common Area – Future Development Parcel	$ 0
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	$ 12,000,000
Solana Beach Corporate Centre – III & IV	$ 37,330,000
Solana Beach Towne Centres Investments (Vacant Land)	$ 0
160 King Street	$ 42,223,428
The Landmark at One Market	$ 133,000,000
Fireman’s Fund Headquarters	$ 176,542,099
Imperial Beach Gardens	$ 20,000,000
Loma Palisades	$ 73,744,000
Mariner’s Point	$ 7,700,000
Santa Fe Park RV Resort	$ 1,878,876
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	$ 0
Sorrento Pointe	$ 0
Management Company (American Assets Trust Management, LLC)	$ 0
Total	$ 1,320,008,279

Appendix D to Schedule III

Entity Specific Debt

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to DHM Trust	Del Monte Center	$ 117,273.17
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,231,368.26
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pauline M. Foster, Trustee of Non-Exempt Trust C under the Stanley and Pauline Foster Trust, dated July 31, 1981	Del Monte Center	$ 527,729.26
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 377,577.46
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to American Assets, Inc.	Del Monte Center	$ 357,464.50
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Nora Kaufman	Del Monte Center	$ 34,325.00
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Parma Family Trust	Del Monte Center	$ 36,886.08
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,288,289.73
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Arsobro, LP	Del Monte Center	$ 158,971.11
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Foster Del Monte, LLC	Del Monte Center	$ 238,540.95
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Gerald I. Solomon	Del Monte Center	$ 9,534.62
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Solomon Family Partnership	Del Monte Center	$ 23,828.31
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust 2	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 309,768.37

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to Arsobro, LP	Del Monte Center	$ 116,391.99
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to American Assets, Inc.	Del Monte Center	$ 74,233.18
Total	**Del Monte Center**	**$ 4,926,009.93**
Second Amended and Restated Promissory Note A Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Sorrento Mesa Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 6,498,716.00
Second Amended and Restated Promissory Note B Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Stonecrest Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 3,983,084.00
Total	**Waikele Center**	**$ 10,481,800.00**
Unsecured loan from ESW LLC to the Embassy Suites at Waikiki Beach Walk*	Embassy Suites at Waikiki Beach Walk	$ 14,874,102.00
Total	**Embassy Suites at Waikiki Beach Walk**	**$ 14,874,102.00**
Loan Agreement, dated as of June 29, 2010, between Bank of America, N.A. and Landmark One Market	The Landmark at One Market	$ 23,000,000.00
Total	**The Landmark at One Market**	**$ 23,000,000.00**
Unsecured loan from ICW Valencia, L.P. to certain holders of interests in ICW Plaza, L.P.	Valencia Corporate Center	$ 418,770.00
Total	**Valencia Corporate Center**	**$ 418,770.00**

* Loan not issued pursuant to a formal promissory note.

Schedule IV

Intercompany Indebtedness

Intercompany Debt	Balance Outstanding as of June 30, 2010
Unsecured loan from American Assets, Inc. to Pacific Oceanside Holdings, L.P.*	$ 3,099,218
Unsecured loan from American Assets, Inc. to Kearny Mesa Business Center, L.P.*	$ 854,229
Promissory Note issued December 31, 2004 by American Assets, Inc. to Del Monte Center Holdings, LP	$ 1,785,680
Unsecured loan from American Assets, Inc. to Del Monte San Jose Holdings, LLC*	$ 1,854,631
Unsecured loan from American Assets, Inc. to Beach Walk Holdings, L.P.*	$ 2,861,766
Promissory Note issued December 31, 2004 by American Assets, Inc. to Solana Beach Towne Centre Investments, L.P.	$ 2,102,154
Promissory Note issued January 31, 2007 by American Assets, Inc. to ICW Plaza, L.P.	$ 7,748,809
Promissory Note issued December 31, 2004 by American Assets, Inc. to Pacific Stonecrest Holdings, L.P.	$ 901,116
Promissory Note issued December 31, 2004 by American Assets, Inc. to Rancho Carmel Plaza, L.P.	$ 305,370
Unsecured loan from American Assets, Inc. to Pacific Stonecrest Assets, Inc.*	$ 75,093
Promissory Note issued December 31, 2009 by American Assets, Inc. to Imperial Strand, L.P.	$ 1,364,104
Promissory Note issued December 31, 2004 by American Assets, Inc. to Loma Palisades, G.P.	$ 1,021,324
Total	**$ 23,973,494**
Promissory Note issued December 31, 2009 by Ernest Rady Trust U/D/T March 10, 1983, as amended, to American Assets, Inc	$ 14,144,458
Promissory Note issued December 19, 2007 by Pacific American Assets Holdings, L.P., to American Assets, Inc	$ 28,934,000
Promissory Note issued December 31, 2004 by Winrad Kearny Mesa Business Center, G.P. to American Assets, Inc	$ 757,906
Total	**$ 43,836,364**
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 1,055,458.51

Intercompany Debt	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 514,693.48
Total	**$ 1,570,152**

* Loan not issued pursuant to a formal promissory note.

Schedule 3.01(b)

List of REIT Subsidiaries

Owner	Ownership Interest
American Assets Trust, L.P.	
American Assets Trust, Inc.	100%
Pacific Del Mar Assets LLC	
American Assets Trust, Inc.	100%
Pacific Carmel Mountain Assets LLC	
American Assets Trust, Inc.	100%
Pacific Solana Beach Assets LLC	
American Assets Trust, Inc.	100%
Pacific Waikiki Assets LLC	
American Assets Trust, Inc.	100%
King Street Assets LLC	
American Assets Trust, Inc.	100%
Pacific Sorrento Valley Assets II LLC	
American Assets Trust, Inc.	100%
Pacific Santa Fe Assets LLC	
American Assets Trust, Inc.	100%
American Assets Trust Services, Inc. (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Vista Hacienda LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Pacific Stonecrest Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Rancho Carmel Plaza LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Pacific Waikiki Holdings Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Pacific Oceanside Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Kearny Mesa Business Center LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Del Monte Center Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%

Owner	Ownership Interest
Beach Walk Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
ABW Lewers Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
ICW Plaza Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
ICW Valencia LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
King Street Holdings Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Waikiki Beach Walk Hotel Lessee (indirect Subsidiary)	
American Assets Trust Services, Inc.	100%
Imperial Strand LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Loma Palisades Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Loma Palisades GP LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%

Schedule 4.01(b)

List of Forward REIT Merger Entity Subsidiaries

Owner	Percentage Ownership Interest
Pacific Stonecrest Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **ALAMO QUARRY MARKET** **WAIKELE CENTER** **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Pacific Stonecrest Assets, Inc.	20
Ernest Rady Trust U/D/T March 10, 1983, as amended	24
Pacific American Assets Holdings, L.P., a California limited partnership	36
Non-Exempt Trust C Under the Stanley & Pauline Foster Trust	16
DHM Trust	4
Alamo Stonecrest Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **ALAMO QUARRY MARKET**	
Pacific Stonecrest Holdings, L.P.	100
Pacific National City Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **SOUTH BAY MARKETPLACE**	
Pacific National City Assets, Inc.	20
Ernest Rady Trust U/D/T March 10, 1983, as amended	87.82
Gaidebro Holdings, Inc., a Canadian corporation	5.16
Marblank Investments, Inc.	6.02
Southbay Marketplace Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **SOUTH BAY MARKETPLACE**	
Pacific National City Holdings, L.P.	100
Rancho Carmel Plaza, a California limited partnership 11455 El Camino Real, Suite 200, San Diego, CA **RANCHO CARMEL PLAZA**	
Western Assets, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	93
Trust C of the W.E. & B.M. Chamberlain Trust	3
Stephen W. Prough	3

Owner	Percentage Ownership Interest
Rancho Carmel Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **RANCHO CARMEL PLAZA**	
Rancho Carmel Plaza, a California limited partnership	100
Solana Beach Towne Centres Investments, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **SOLANA BEACH TOWNE CENTRE** **SOLANA BEACH CORPORATE CENTRE I & II** **SOLANA BEACH CORPORATE CENTRE III & IV**	
Pacific Towne Centre Assets, Inc.	50
Stuart C. Gildred Trust	19.5
Propco, L.P.	28.5
Propco Investments LLC	2
SBTC Assets, Inc. 11455 El Camino Real, Suite 200, San Diego, CA (indirect Subsidiary) **SOLANA BEACH TOWNE CENTRE**	
Solana Beach Towne Centres Investments, L.P.	100
SB Towne Centre, LLC 11455 El Camino Real, Suite 200, San Diego, CA (indirect Subsidiary) **SOLANA BEACH TOWNE CENTRE**	
SBTC Assets, Inc.	1
Solana Beach Towne Centres Investments, L.P.	99
SBTC Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA (indirect Subsidiary) **SOLANA BEACH TOWNE CENTRE**	
SB Towne Centre, LLC	100
SBCC Assets, Inc. 11455 El Camino Real, Suite 200, San Diego, CA (indirect Subsidiary) **SOLANA BEACH CORPORATE CENTRE I & II**	
Solana Beach Towne Centres Investments, L.P.	100
SB Corporate Centre, LLC 11455 El Camino Real, Suite 200, San Diego, CA (indirect Subsidiary) **SOLANA BEACH CORPORATE CENTRE I & II**	
SBCC Assets, Inc.	1
Solana Beach Towne Centres Investments, L.P.	99

Owner	Percentage Ownership Interest
SBCC Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA (indirect Subsidiary) **SOLANA BEACH CORPORATE CENTRE III & IV**	
SB Corporate Centre, LLC	100
SB Corporate Centre III-IV, LLC 11455 El Camino Real, Suite 200, San Diego, CA (indirect Subsidiary) **SOLANA BEACH CORPORATE CENTRE III & IV**	
Solana Beach Towne Centres Investments, L.P.	100
Pacific Oceanside Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER** **160 KING STREET**	
Pacific Oceanside Assets, Inc.	20
Ernest Rady Trust U/D/T March 10, 1983, as amended	24
Pacific American Assets Holdings, L.P., a California limited partnership	36
DHM Trust	4
Non-Exempt Trust C Under the Stanley & Pauline Foster Trust	16
Del Monte – POH, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Pacific Oceanside Holdings, L.P.	100
Pacific San Jose Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Pacific San Jose Assets, Inc.	26.6666
Arthur Brody, Trustee of the Arthur and Sophie Brody Revocable Trust, dated April 13, 1989	4.4444
Patricia Matsuo	1.1111
DHM Trust	1.1111
DHM 2 Trust	1.1111
Ernest Rady Trust U/D/T March 10, 1983, as amended	2.2222
Gaidebro Holdings, Inc., a Canadian corporation	2.2222
Gerald I. Solomon	0.8892
Guyencourt Land Company, Inc.	2.2222

Owner	Percentage Ownership Interest
Haas Family Trust	2.2222
Marblank Investments Inc.	2.2222
The G.A. McPherson Irrevocable Trust	1.1111
Pacific American Assets Holdings, L.P., a California limited partnership	48
Solomon Family Partnership	2.2222
The Murray Salzberg Trust	2.2222
Del Monte San Jose Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Pacific San Jose Holdings, L.P.	100
Del Monte – DMSJH, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Del Monte San Jose Holdings, LLC	100
Kearny Mesa Business Center, a California limited partnership 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
KMBC Assets, Inc.	9.3625
American Assets, Inc.	0.9150
Parma Family Trust	4.5750
Winrad Kearny Mesa Business Center, a California general partnership	85.1475
Del Monte – KMBC, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Kearny Mesa Business Center, a California limited partnership	100
Del Monte Center Holdings, LP 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Hero Retail, Inc.	0 [promote only]
Ernest Rady Trust U/D/T March 10, 1983, as amended	76.42
Arsobro, LP	9.43
Foster Del Monte, LLC	14.15
Del Monte – DMCH, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Del Monte Center Holdings, LP	100

Owner	Percentage Ownership Interest
Pacific Sorrento Valley Holdings I, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Sorrento Valley Assets I, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	99
Pacific Torrey Reserve West Assets, Inc. (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Sorrento Valley Holdings I, L.P.	100
Pacific Torrey Reserve West Holdings, L.P. (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Torrey Reserve West Assets, Inc.	1
Pacific Sorrento Valley Holdings I, L.P.	99
Waikele Reserve West Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Torrey Reserve West Holdings, L.P.	100
Pacific Sorrento Mesa Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER** **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Pacific Sorrento Mesa Assets, Inc.	20.4621
Ernest Rady Trust U/D/T March 10, 1983, as amended	33.2337
Philip L. Elkus Trust	0.5093
The Stanley and Maxine Firestone Trust, dated December 2, 1988	4.009
Arsobro, LP	5.5591
Parma Family Limited Partnership	16.0359
Gaidebro Holdings, Inc., a Canadian corporation	0.8018
Haas Family Trust	2.3322
Marblank Investments Inc.	1.6036
Elkus Enterprises	3.2132
Non-Exempt Trust C Under the Stanley & Pauline Foster Trust	7.2161
Grand Todd LLC	4.8047
David Elkus	0.2193

Owner	Percentage Ownership Interest
Broadway 101 Sorrento Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Sorrento Mesa Holdings, L.P.	100
Broadway 225 Sorrento Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER** **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Pacific Sorrento Mesa Holdings, L.P.	100
Waikele 101 Sorrento, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Broadway 101 Sorrento Holdings, LLC	100
Waikele 225 Sorrento, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Broadway 225 Sorrento Holdings, LLC	100
Broadway 101 Stonecrest Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Stonecrest Holdings, L.P.	100
Broadway 225 Stonecrest Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER** **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Pacific Stonecrest Holdings, L.P.	100
Waikele 101 Stonecrest, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Broadway 101 Stonecrest Holdings, LLC	100
Waikele 225 Stonecrest, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Broadway 225 Stonecrest Holdings, LLC	100
Beach Walk Holdings, LP 11455 El Camino Real, Suite 200, San Diego, CA **WAIKIKI BEACH WALK RETAIL**	

Owner	Percentage Ownership Interest
Beach Walk Assets, Inc.	0 [promote only]
Pacific American Assets Holdings, L.P., a California limited partnership	76.94
Stanley E. and Pauline M. Foster Trust A UDT 07/31/81	2.43
Philip L. Elkus Trust UDT 09/09/74	2.43
Arsobro, LP	2.43
Parma Family Limited Partnership	12.13
Katzin Revocable Family Trust	2.43
Gaidebro Holdings, Inc., a Canadian corporation	0.48
John W. Chamberlain	0.73
ABW Lewers LLC (indirect Subsidiary) 2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
Beach Walk Holdings, LP	80
WBW Retail LLC	20
ABW 2181 Holdings LLC (indirect Subsidiary) 2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
ABW Lewers LLC	100
ABW Holdings LLC (indirect Subsidiary) 2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
ABW Lewers LLC	100
ICW Plaza, L.P., a California limited partnership 11455 El Camino Real, Suite 200, San Diego, CA **ICW PLAZA**	
ICW Plaza, Inc. (d/b/a Delaware ICW Plaza, Inc.)	1
McAuliffe Family Trust	0.0435
Ernest Rady Trust U/D/T March 10, 1983, as amended	5.9612
Bruce N. Moore	0.2295
Pacific American Assets Holdings, L.P., a California limited partnership	88.4220
Nora Kaufman	2.2271
John L. Hannum	0.1586
John R. Borrego	0.0147
B. Deane Baughan & Joy Baughan, Trustees Baughan Family Trust	0.0147

Owner	Percentage Ownership Interest
Henry M. Freet	0.0420
The Banks Exemption Trust	0.0389
DHM Trust	0.8122
DHM Trust 2	0.6668
Bernard M. Feldman	0.0389
James W. and Nancy I. Austin Family Trust dated October 3, 1997	0.0447
Western Insurance Holdings, Inc.	0.2852
ICW Plaza Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **ICW PLAZA**	
ICW Plaza, L.P., a California limited partnership	100
ICW Valencia, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **ICW VALENCIA/VALENCIA CORPORATE CENTER**	
ICW Valencia, Inc.	1.1504
McAuliffe Family Trust	0.0421
Bruce N. Moore	0.2221
Ernest Rady Trust U/D/T March 10, 1983, as amended	18.2777
Pacific American Assets Holdings, L.P., a California limited partnership	64.2951
Bee-Dee Investments, Ltd.	4.3676
Gaidebro Holdings, Inc., a Canadian corporation	4.3676
Donald R. Rady Trust	1.7979
Harry M. Rady Trust	1.7979
Margo S. Rady Trust	1.7979
Hannum Family Trust	0.1568
Henry M. Freet	0.0451
The Banks Exemption Trust	0.0376
DHM Trust	0.7858
DHM Trust 2	0.6451
Bernard M. Feldman Trust	0.1249
James W. and Nancy I. Austin Family Trust dated October 3, 1997	0.0508
Charles/Gerry Scribner	0.0376
ICW Valencia Holdings Assets, Inc. (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **ICW VALENCIA/VALENCIA CORPORATE CENTER**	
ICW Valencia, L.P.	100

Owner	Percentage Ownership Interest
ICW Valencia Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **ICW VALENCIA/VALENCIA CORPORATE CENTER**	
ICW Valencia Holdings Assets, Inc. ICW Valencia, L.P.	1 99
Pacific North Court GP, Inc. 11455 El Camino Real, Suite 200, San Diego, CA **TORREY RESERVE NORTH COURT I & II**	
Pacific Torrey Reserve Assets, Inc.	100
Pacific Torrey Reserve Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **TORREY RESERVE NORTH COURT I & II** **TORREY RESERVE SOUTH COURT I & II** **TORREY DAYCARE** **TORREY VCs I, II & III**	
Pacific Torrey Reserve Assets, Inc. Pacific American Assets Holdings, L.P., a California limited partnership	20 80
Pacific North Court Holdings, L.P. (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **TORREY RESERVE NORTH COURT I & II**	
Pacific North Court GP, Inc. Pacific Torrey Reserve Holdings, L.P.	1 99
Pacific South Court Holdings, L.P. (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **TORREY RESERVE SOUTH COURT I & II**	
Pacific Torrey Reserve Assets, Inc. Pacific Torrey Reserve Holdings, L.P.	1 99
Pacific Torrey Daycare Assets, Inc. 11455 El Camino Real, Suite 200, San Diego, CA **TORREY DAYCARE**	
Pacific Torrey Reserve Assets, Inc.	100
Pacific Torrey Daycare Holdings, L.P. (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **TORREY DAYCARE**	
Pacific Torrey Daycare Assets, Inc. Pacific Torrey Reserve Holdings, L.P.	1 99
Pacific VC Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **TORREY VCs I, II & III**	

Owner	Percentage Ownership Interest
Pacific Torrey Reserve Holdings, L.P.	100
Desert Oceanside Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Pacific Oceanside Holdings, L.P.	100
King Desert Oceanside, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Desert Oceanside Holdings, LLC	100
Landmark Venture JV, LLC 11455 El Camino Real, Suite 200, San Diego, CA **THE LANDMARK AT ONE MARKET**	
Landmark Assets, Inc. Landmark One Market, Inc.	1 99
Landmark Venture Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **THE LANDMARK AT ONE MARKET**	
Landmark Venture JV, LLC	100
Pacific Novato Holdings, LP 11455 El Camino Real, Suite 200, San Diego, CA **FIREMAN'S FUND HEADQUARTERS**	
Pacific Novato Assets, Inc. Pacific American Assets Holdings, L.P., a California limited partnership	1 99
Novato FF Venture, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **FIREMAN'S FUND HEADQUARTERS**	
Pacific Novato Holdings, LP Novato FF PT Investor, LLC	25 75
Novato FF Property, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **FIREMAN'S FUND HEADQUARTERS**	
Novato FF Venture, LLC	100
BWH Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Pacific Sorrento Mesa Holdings, L.P. Pacific Stonecrest Holdings, L.P.	62 38
EBW Hotel LLC	

Owner	Percentage Ownership Interest
(indirect Subsidiary) 2375 Kuhio Avenue, Honolulu, HI **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
BWH Holdings, LLC	51.22
ESW LLC	48.78
Waikele Center Holdings, LP 11455 El Camino Real, Suite 200, San Diego, CA **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Waikele Center Assets, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	97
John W. Chamberlain	2
Waikele Venture Holdings, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Waikele Center Holdings, LP	100

Schedule 4.03

Capitalization

Owner	Percentage Ownership Interest
Pacific Stonecrest Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	82
Stanley E. and Pauline M. Foster Trust A UDT 07/31/81	10
Trust A of the W.E. & B.M. Chamberlain Trust	3
John W. Chamberlain	5
Pacific National City Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Western Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Pacific Towne Centre Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Pacific Oceanside Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	82
Stanley E. and Pauline M. Foster Trust A UDT 07/31/81	10
Trust A of the W.E. & B.M. Chamberlain Trust	3
John W. Chamberlain	5
Pacific San Jose Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
KMBC Assets, Inc.	
American Assets, Inc.	100
Hero Retail, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Pacific Sorrento Valley Assets I, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Pacific Sorrento Mesa Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Beach Walk Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Owner	Percentage Ownership Interest
ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
ICW Valencia, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Pacific Torrey Reserve Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Landmark Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	90.42
John W. Chamberlain	5.32
Robert F. Barton Family Trust	4.26
Landmark One Market, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100
Pacific Novato Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	85
The John W. and Rebecca S. Chamberlain Trust dated July 14, 1994, as amended	10
Robert & Katherine Barton Living Trust	5
Waikele Center Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Schedule 4.08(a)

Title Insurance

Only the following Properties have an associated owner's policy of title insurance:

Property	Beneficiary
Alamo Quarry Market	Alamo Stonecrest Holdings, LLC Alamo Vista Holdings, LLC
Waikiki Beach Walk – Hotel	EBW Hotel LLC Waikele Venture Holdings, LLC Broadway 225 Sorrento Holdings, LLC Broadway 225 Stonecrest Holdings, LLC
Del Monte Center	Pacific Oceanside Holdings, LP Del Monte San Jose Holdings, LLC Kearny Mesa Business Center, a California limited partnership Del Monte Center Holdings, LP
160 King Street	King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC
The Landmark at One Market	Landmark Venture Holdings, LLC Landmark FireHill Holdings, LLC
Fireman's Fund Headquarters	Novato FF Property, LLC

Schedule 4.12

Existing Loans

Property	Borrower / Loan Number	Lender or Servicer
Alamo Quarry Market	Alamo Vista Holdings, LLC (Note A-1) / 70-0201346 Alamo Vista Holdings, LLC (Note A-2) / 70-0201407 Alamo Stonecrest Holdings, LLC (Note A-1) / 70-0201408 Alamo Stonecrest Holdings, LLC (Note A-2) / 70-0201409	Wells Fargo Commercial Mortgage Services
South Bay Market Place	Southbay Marketplace Holdings, LLC / 34-0100057	Wachovia Bank / Wells Fargo Commercial Mortgage Servicing
Rancho Carmel Plaza	Rancho Carmel Holdings, LLC / 70-0400877	Wells Fargo Commercial Mortgage Services
Solana Beach Towne Center	SBTC Holdings, LLC / 30264324	Midland Loan Services
Del Monte Center	Del Monte – DMSJH , LLC / 991074035 Del Monte – DMCH, LLC / 991074036 Del Monte – KMBC, LLC / 991074037 Del Monte – POH, LLC / 991073858	Berkadia Commercial Mortgage
Waikele Center	Borrowers Waikele Reserve West Holdings, LLC Waikele 101 Sorrento, LLC Waikele 225 Sorrento, LLC Waikele 101 Stonecrest, LLC Waikele 225 Stonecrest, LLC Loan Numbers 85-0201693, 51-0901990, 85-0201695, 51-0902277, 85-0201696, 51-0902278, 85-0201697, 51-0902279	Wells Fargo Commercial Mortgage Services
Waikiki Beach Walk - Retail	ABW 2181 Holdings LLC / 790500043001	American Savings Bank

Property	Borrower / Loan Number	Lender or Servicer
Waikiki Beach Walk – Retail	ABW Holdings LLC / 01-0034848	Column Financial, Inc. (lender) KeyBank Real Estate Capital (servicer)
ICW Plaza	ICW Plaza Holdings, LLC / 70-0401614	Wells Fargo Commercial Mortgage Services
ICW Valencia/Valencia Corporate Center	ICW Valencia Holdings, LLC / 85-02000898	Wells Fargo Commercial Mortgage Services
ICW Valencia (building 3 construction loan)	ICW Valencia, LP / 2526768952	Wells Fargo
Torrey Reserve North Court I & II	Pacific North Court Holdings, LP / 525805: 11	Manulife Financial / John Hancock Real Estate Finance
Torrey Reserve South Court I & II	Pacific South Court Holdings, L.P. / 04-5000126	Keybank Real Estate Capital
Torrey Daycare	Pacific Torrey Daycare Holdings, LP / 140-07551-0450065-9001	California Bank & Trust
Torrey VCs I, II & III	Pacific VC Holdings, LLC / 30264326	Midland Loan Services
Solana Beach Corporate Center I & II	SBCC Holdings, LLC / 30264325	Midland Loan Services
Solana Beach Corporate Center III & IV	SB Corporate Centre III-IV, LLC / 991068648	Berkadia Commercial Mortgage
160 King Street	Borrowers King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC Loan Number 330063200	Cohen Financial
The Landmark at One Market	Landmark Firehill Holdings, LP / 70-0400471 Landmark Ventures Holdings, LLC / 70-0400470	Wells Fargo Commercial Mortgage Services

Property	Borrower / Loan Number	Lender or Servicer
Fireman's Fund Headquarters	Novato FF Property, LLC / 003206596-00, 003214921-00	Bank of America Capital Markets Servicing Group
Waikiki Beach Walk – Hotel	Borrowers EBW Hotel LLC Waikele Venture Holdings, LLC Broadway 225 Sorrento Holdings, LLC Broadway 225 Stonecrest Holdings, LLC Loan Number 00050082287	Bank of Hawaii, First Hawaiian Bank, Central Pacific Bank & American Savings Bank

Schedule 4.13

Franchise Agreement

1. Franchise License Agreement by and between Promus Hotels, Inc. and Outrigger Hotels Hawaii dated as of January 25, 2005

Schedule 4.15

Taxes

1. KMBC Assets, Inc. is a C corporation

Schedule 4.21

Ownership of Certain Assets

Pacific Stonecrest Assets, Inc.

Alamo Stonecrest Holdings, LLC
Broadway 101 Stonecrest Holdings, LLC
Broadway 225 Stonecrest Holdings, LLC
Waikele 101 Stonecrest, LLC
Waikele 225 Stonecrest, LLC

Pacific National City Assets, Inc.

Southbay Marketplace Holdings, LLC

Western Assets, Inc.

Rancho Carmel Holdings, LLC

Pacific Towne Centre Assets, Inc.

SBTC Assets, Inc.
SB Towne Centre, LLC
SBTC Holdings, LLC
SBCC Assets, Inc.
SB Corporate Centre, LLC
SBCC Holdings, LLC
SB Corporate Centre III-IV, LLC

Pacific Oceanside Assets, Inc.

Del Monte–POH, LLC
King Desert Oceanside, LLC

Pacific San Jose Assets, Inc.

Del Monte San Jose Holdings, LLC
Del Monte–DMSJH, LLC

KMBC Assets, Inc.

Del Monte–KMBC, LLC

Hero Retail, Inc.

Del Monte–DMCH, LLC

Pacific Sorrento Valley Assets I, Inc.

Pacific Torrey Reserve West Assets, Inc.
Pacific Torrey Reserve West Holdings, L.P.
Waikele Reserve West Holdings, LLC

Pacific Sorrento Mesa Assets, Inc.

Broadway 101 Sorrento Holdings, LLC
Broadway 225 Sorrento Holdings, LLC
Waikele 101 Sorrento, LLC
Waikele 225 Sorrento, LLC

Beach Walk Assets, Inc.

ABW 2181 Holdings LLC
ABW Holdings LLC

ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]

ICW Plaza Holdings, LLC

ICW Valencia, Inc.

ICW Valencia Holdings Assets, Inc.
ICW Valencia Holdings, LLC

Pacific Torrey Reserve Assets, Inc.

Pacific North Court GP LLC
Pacific Torrey Reserve Holdings, L.P.
Pacific North Court Holdings, L.P.
Pacific South Court Assets LLC
Pacific South Court Holdings, L.P.
Pacific Torrey Daycare Assets LLC
Pacific Torrey Daycare Holdings, L.P.
Pacific VC Holdings, LLC

Landmark Assets, Inc.

Landmark Venture JV, LLC
Landmark Venture Holdings, LLC

Landmark One Market, Inc.

Landmark Venture JV, LLC
Landmark Venture Holdings, LLC

Pacific Novato Assets, Inc.

Pacific Novato Holdings, LP
Novato FF Property, LLC

Waikele Center Assets, Inc.

Waikele Venture Holdings, LLC

Schedule 5.03

Excluded Assets

Excluded Assets consist of any excess of Net Working Capital over Target Net Working Capital. "Net Working Capital" means current assets minus current liabilities of the relevant entity as of a date within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow. Any Excluded Assets consisting of any excess of Net Working Capital of Target Working Capital shall be distributed or paid to Pre-Formation Participants promptly after consummation of the IPO after determination by the REIT. The REITs determination of such amount shall be final and binding on all Pre-Formation Participants.

"Target Net Working Capital" means zero with respect to all entities, other than ABW Lewers, LLC; EBW Hotel, LLC; Broadway 225 Sorrento Holdings, LLC; Broadway 225 Stonecrest Holdings, LLC; and Waikele Venture Holdings, LLC, for which Target Net Working Capital will be $5,000,000, $2,050,000, $766,500, $470,000 and $1,713,500, respectively; *provided*, *however* that if the REIT adjusts Target Net Working Capital pursuant to the proviso in the first paragraph of Schedule III, Target Net Working Capital shall be such adjusted amount.

EXHIBITS

Exhibit A: Formation Transaction Documentation

Exhibit B: REIT Charter

Exhibit C: Form of Registration Rights Agreement

Exhibit D: Order of Mergers

Exhibit E: Lock-Up Agreement

Exhibit F: Operating Partnership Agreement

Exhibit A

Formation Transaction Documentation

Form of Forward REIT Merger Agreement

Form of REIT Sub Forward Merger Agreement

Form of Forward OP Merger Agreement

Form of OP Sub Forward Merger Agreement

Form of OP Sub Reverse Merger Agreement

Form of OP Contribution Agreement

Form of OP Sub Contribution Agreement

Form of Alternate Contribution Agreement

Form of Tax Protection Agreement

Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.

Registration Rights Agreement

Representation, Warranty and Indemnity Agreement

Indemnity Escrow Agreement

Lock-Up Agreement

Articles of Amendment and Restatement of American Assets Trust, Inc.

Bylaws of American Assets Trust, Inc.

Management Business Contribution Agreement

Exhibit B

REIT Charter

AMERICAN ASSETS TRUST, INC.

ARTICLES OF AMENDMENT AND RESTATEMENT

FIRST: American Assets Trust, Inc., a Maryland corporation (the "Corporation"), desires to amend and restate its charter (the "Charter") as currently in effect and as hereinafter amended.

SECOND: The following provisions are all the provisions of the Charter currently in effect and as hereinafter amended:

ARTICLE I

NAME

The name of the Corporation is:

American Assets Trust, Inc.

ARTICLE II

PURPOSE

The purposes for which the Corporation is formed are to engage in any lawful act or activity (including, without limitation or obligation, engaging in business as a real estate investment trust (a "REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or any successor statute (the "Code")) for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force.

ARTICLE III

PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The address of the principal office of the Corporation in the State of Maryland is c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The name of the resident agent of the Corporation in the State of Maryland is The Corporation Trust Incorporated, whose post address is 351 West Camden Street, Baltimore, Maryland 21201. The resident agent is a Maryland corporation.

ARTICLE IV

PROVISIONS FOR DEFINING, LIMITING

AND REGULATING CERTAIN POWERS OF THE
CORPORATION AND OF THE STOCKHOLDERS AND DIRECTORS

Section 4.1 *Number of Directors*. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation is seven (7), which number may be increased or decreased only by the Board of Directors pursuant to the Bylaws of the Corporation (the "Bylaws"), but shall never be less than the minimum number required by the Maryland General Corporation Law (the "MGCL"). The names of the directors who shall serve until the next annual meeting of stockholders and until their successors are duly elected and qualify are:

Ernest S. Rady
John Chamberlain
[ ]
[ ]
[ ]
[ ]
[ ]

The Board of Directors may increase or decrease the number of directors and may fill any vacancy, whether resulting from an increase in the number of directors or otherwise, on the Board of Directors in the manner provided in the Bylaws.

The Corporation elects, at such time as it becomes eligible under Section 3-802 of the MGCL to make the election provided for under Section 3-804(c) of the MGCL, that, except as may be provided by the Board of Directors in setting the terms of any class or series of stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred.

Section 4.2 *Extraordinary Actions*. Except as specifically provided in Section 4.8 of this Article IV (relating to removal of directors), notwithstanding any provision of law permitting or requiring any action to be taken or approved by the affirmative vote of the holders of shares entitled to cast a greater number of votes, any such action shall be effective and valid if declared advisable by the Board of Directors and taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 4.3 *Authorization by Board of Stock Issuance*. The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the MGCL, the Charter or the Bylaws.

Section 4.4 *Preemptive and Appraisal Rights*. Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 6.4 or as may otherwise be provided by a contract approved by the Board of Directors, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell. Holders of shares of stock shall not be entitled to exercise any rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the MGCL or any successor statute unless the Board of Directors, upon the affirmative vote of a majority of the Board of Directors, shall determine that such rights apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise such rights.

Section 4.5 *Indemnification*. The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner, member, manager or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in such capacity. The Corporation shall have the power, with the approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Section 4.6 *Determinations by Board*. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Directors consistent with the Charter, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, annual or other cash flow, funds from operations, net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of any class or series of stock of the Corporation; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation or of any shares of stock of the Corporation; the number of shares of stock of any class of the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; or any other matter relating to the business and affairs of the Corporation or required or permitted by applicable law, the Charter or Bylaws or otherwise to be determined by the Board of Directors.

Section 4.7 *REIT Qualification*. If the Corporation elects to qualify as a REIT for U.S. federal income tax purposes, the Board of Directors shall take such actions as it determines are necessary or appropriate to preserve the status of the Corporation as a REIT; however, if the Board of Directors determines that it is no longer in the best interests of the Corporation to continue to be qualified as a REIT, the Board of Directors may revoke or otherwise terminate the Corporation's REIT election pursuant to Section 856(g) of the Code. The Board of Directors also may determine that compliance with one or more of the restrictions or limitations on stock ownership and transfers set forth in Article VI is no longer required for REIT qualification.

Section 4.8 *Removal of Directors*. Subject to the rights of holders of one or more classes or series of Preferred Stock to elect or remove one or more directors, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. For the purpose of this paragraph, "cause" shall mean, with respect to any particular director, conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to the Corporation through bad faith or active and deliberate dishonesty.

ARTICLE V

STOCK

Section 5.1 *Authorized Shares*. The Corporation has authority to issue **[_____]** shares of stock, consisting of **[_____]** shares of Common Stock, $0.01 par value per share ("Common Stock"), and **[_____]** shares of Preferred Stock, $0.01 par value per share ("Preferred Stock"). The aggregate par value of all authorized shares of stock having par value is $**[_____]**. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Section 5.2, 5.3 or 5.4 of this Article V, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph. The Board of Directors, with the approval of a majority of the entire Board and without any action by the stockholders of the Corporation, may amend the Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

Section 5.2 *Common Stock*. Subject to the provisions of Article VI and except as may otherwise be specified in the terms of any class or series of Common Stock, each share of Common Stock shall entitle the holder thereof to one vote. The Board of Directors may reclassify any unissued shares of Common Stock from time to time in one or more classes or series of stock.

Section 5.3 *Preferred Stock*. The Board of Directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any series from time to time, in one or more classes or series of stock.

Section 5.4 *Classified or Reclassified Shares*. Prior to issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the provisions of Article VI and subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, including, without limitation, restrictions on transferability, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of stock set or changed pursuant to clause (c) of this Section 5.4 may be made dependent upon facts or events ascertainable outside the Charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary or other charter document.

Section 5.5 *Charter and Bylaws*. The rights of all stockholders and the terms of all stock are subject to the provisions of the Charter and the Bylaws.

Section 5.6 *Stockholders' Consent in Lieu of Meeting*. Any action required or permitted to be taken at any meeting of stockholders may be taken without a meeting if a unanimous written consent setting forth the action is given in writing or by electronic transmission by each stockholder entitled to vote on the matter and filed with the minutes of proceedings of the stockholders.

ARTICLE VI

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 6.1 *Definitions*. For the purpose of this Article VI, the following terms shall have the following meanings:

Aggregate Stock Ownership Limit. The term "Aggregate Stock Ownership Limit" shall mean not more than **[__]**% in value of the aggregate of the outstanding shares of Capital Stock, subject to adjustment from time to time by the Board of Directors in accordance with Section 6.2.8, excluding any such outstanding Common Stock which is not treated as outstanding for federal income tax purposes. Notwithstanding the foregoing, for purposes of determining the percentage ownership of Capital Stock by any Person, shares of Capital Stock that are treated as Beneficially Owned or Constructively Owned by such Person shall be deemed outstanding. The value of the outstanding shares of Capital Stock shall be determined by the Board of Directors in good faith, which determination shall be conclusive for all purposes hereof.

Beneficial Ownership. The term "Beneficial Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly

or indirectly (including by a nominee), and shall include interests that are actually owned or would be treated as owned through the application of Section 544 of the Code, as modified by Sections 856(h)(1)(B) and 856(h)(3) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

Business Day. The term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

Capital Stock. The term "Capital Stock" shall mean all classes or series of stock of the Corporation, including, without limitation, Common Stock and Preferred Stock.

Charitable Beneficiary. The term "Charitable Beneficiary" shall mean one or more beneficiaries of the Trust as determined pursuant to Section 6.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Common Stock Ownership Limit. The term "Common Stock Ownership Limit" shall mean **[__]**% (in value or in number of shares, whichever is more restrictive, and subject to adjustment from time to time by the Board of Directors in accordance with Section 6.2.8) of the aggregate of the outstanding shares of Common Stock of the Corporation, excluding any such outstanding Common Stock which is not treated as outstanding for federal income tax purposes. Notwithstanding the foregoing, for purposes of determining the percentage ownership of Common Stock by any Person, shares of Common Stock that are treated as Beneficially Owned or Constructively Owned by such Person shall be deemed to be outstanding. The number and value of shares of outstanding Common Stock of the Corporation shall be determined by the Board of Directors in good faith, which determination shall be conclusive for all purposes hereof.

Constructive Ownership. The term "Constructive Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that are actually owned or would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

Excepted Holder. The term "Excepted Holder" shall mean any stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors pursuant to Section 6.2.7.

Excepted Holder Limit. The term "Excepted Holder Limit" shall mean for each Excepted Holder, the percentage limit established by the Board of Directors for such Excepted Holder pursuant to Section 6.2.7, which limit may be expressed, in the discretion of the Board of Directors, as one or more percentages and/or numbers of shares of Capital Stock, and may apply with respect to one or more classes of Capital Stock or to all classes of Capital Stock in the aggregate, provided that the affected Excepted Holder agrees to comply with the requirements

established by the Board of Directors pursuant to Section 6.2.7 and subject to adjustment pursuant to Section 6.2.8.

Individual. The term "Individual" means an individual, a trust qualified under Section 401(a) or 501(c)(17) of the Code, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, or a private foundation within the meaning of Section 509(a) of the Code, provided that, except as set forth in Section 856(h)(3)(A)(ii) of the Code, a trust described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code shall be excluded from this definition.

Initial Date. The term "Initial Date" shall mean the date of the closing of the issuance of Common Stock pursuant to the initial public offering of the Corporation.

Market Price. The term "Market Price" on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such Capital Stock on such date. The "Closing Price" on any date shall mean the last sale price for such Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Capital Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such Capital Stock is not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Capital Stock is listed or admitted to trading or, if such Capital Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which such Capital Stock is quoted, if such Capital Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Capital Stock selected by the Board of Directors or, in the event that no trading price is available for such Capital Stock, the fair market value of the Capital Stock, as determined in good faith by the Board of Directors.

NYSE. The term "NYSE" shall mean the New York Stock Exchange.

Person. The term "Person" shall mean an Individual, corporation, partnership, limited liability company, estate, trust, association, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

Prohibited Owner. The term "Prohibited Owner" shall mean, with respect to any purported Transfer, any Person who, but for the provisions of Section 6.2.1, would Beneficially Own or Constructively Own shares of Capital Stock, and if appropriate in the context, shall also mean any Person who would have been the record owner of the shares that the Prohibited Owner would have so owned.

Restriction Termination Date. The term "Restriction Termination Date" shall mean the first day after the Initial Date on which the Board of Directors determines pursuant to Section 4.7 of the Charter that it is no longer in the best interests of the Corporation to attempt to, or continue

to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Transfer. The term "Transfer" shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire, or change its level of, Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Capital Stock or the right to vote or receive dividends on Capital Stock, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights convertible into or exchangeable for Capital Stock or any interest in Capital Stock or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial Ownership or Constructive Ownership of Capital Stock; in each case, whether voluntary or involuntary, whether owned of record, Beneficially Owned or Constructively Owned and whether by operation of law or otherwise. The terms "Transferring" and "Transferred" shall have the correlative meanings.

Trust. The term "Trust" shall mean any trust provided for in Section 6.3.1.

Trustee. The term "Trustee" shall mean the Person who is not affiliated with either the Corporation or any Prohibited Owner, which Person is appointed by the Corporation to serve as trustee of the Trust.

Section 6.2 *Capital Stock*.

Section 6.2.1 *Ownership Limitations*. During the period commencing on the Initial Date and prior to the Restriction Termination Date, but subject to Section 6.4:

(a) Basic Restrictions.

(i) (1) No Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Aggregate Stock Ownership Limit, (2) no Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Common Stock in excess of the Common Stock Ownership Limit and (3) no Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that such Beneficial or Constructive Ownership of shares of Capital Stock could result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or otherwise failing to qualify as a REIT (including, but not limited to, Beneficial Ownership or Constructive Ownership that could result in the Corporation Constructively Owning an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by

the Corporation from such tenant, taking into account any other income of the Corporation that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause the Corporation to fail to satisfy any of such gross income requirements).

(iii) Any Transfer of shares of Capital Stock that, if effective, would result in the Capital Stock being beneficially owned by fewer than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void *ab initio*, and the intended transferee shall acquire no rights in such shares of Capital Stock.

Without limitation of the application of any other provision of this Article VI, it is expressly intended that the restrictions on ownership and Transfer described in this Section 6.2.1 of Article VI shall apply to restrict the rights of any members or partners in limited liability companies or partnerships to exchange their interest in such entities for shares of Capital Stock of the Corporation.

(b) *Transfer in Trust*. If any Transfer of shares of Capital Stock (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 6.2.1(a)(i) or (ii):

(i) then that number of shares of the Capital Stock, the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 6.2.1(a)(i) or (ii) (rounded up to the nearest whole share) shall be automatically transferred to a Trust for the benefit of a Charitable Beneficiary, as described in Section 6.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such shares; or

(ii) if the Transfer to the Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 6.2.1(a)(i) or (ii), then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 6.2.1(a)(i) or (ii) shall be void *ab initio*, and the intended transferee shall acquire no rights in such shares of Capital Stock.

In determining which shares of Capital Stock are to be transferred to a Trust in accordance with this Section 6.2.1(b) and Section 6.3 hereof, shares shall be so transferred to a Trust in such manner as minimizes the aggregate value of the shares that are transferred to the Trust (except as provided in Section 6.2.6) and, to the extent not inconsistent therewith, on a pro rata basis. To the extent that, upon a transfer of shares of Capital Stock pursuant to this Section 6.2.1(b), a violation of any provision of Section 6.2.1(a) would nonetheless be continuing (as, for example, where the ownership of shares of Capital Stock by a single Trust would result in the shares of Capital Stock

being Beneficially Owned (determined under the principles of Section 856(a)(5) of the Code) by fewer than 100 Persons), then shares of Capital Stock shall be transferred to that number of Trusts, each having a Trustee and a Charitable Beneficiary or Beneficiaries that are distinct from those of each other Trust, such that there is no violation of any provision of Section 6.2.1(a) hereof.

Section 6.2.2 *Remedies for Breach*. If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 6.2.1 or that a Person intends or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Capital Stock in violation of Section 6.2.1 (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it deems advisable, in its sole and absolute discretion, to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; *provided, however*, that any Transfer or attempted Transfer or other event in violation of Section 6.2.1 shall automatically result in the transfer to the Trust described above, or, where applicable, such Transfer (or other event) shall be void *ab initio* as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

Section 6.2.3 *Notice of Restricted Transfer*. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 6.2.1(a) or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Trust pursuant to the provisions of Section 6.2.1(b) shall immediately give written notice to the Corporation of such event or, in the case of such a proposed or attempted transaction, give at least fifteen (15) days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation's status as a REIT.

Section 6.2.4 *Owners Required To Provide Information*. From the Initial Date and prior to the Restriction Termination Date:

(a) every owner of five percent or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of Capital Stock, within thirty (30) days after the end of each taxable year, shall give written notice to the Corporation stating the name and address of such owner, the number of shares of each class or series of Capital Stock Beneficially Owned and a description of the manner in which such shares are held. Each such owner shall provide promptly to the Corporation in writing such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Aggregate Stock Ownership Limit and the Common Stock Ownership Limit; and

(b) each Person who is a Beneficial Owner or Constructive Owner of shares of Capital Stock and each Person (including the stockholder of record) who is holding shares of Capital Stock for a Beneficial or Constructive Owner shall, on demand, provide to the Corporation in writing such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 6.2.5 *Remedies Not Limited*. Subject to Section 4.7, nothing contained in this Section 6.2 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 6.2.6 *Ambiguity*. In the case of an ambiguity in the application of any of the provisions of this Article VI, including Section 6.2, Section 6.3, or any definition contained in Section 6.1 or any defined term used in this Article VI but defined elsewhere in the Charter, the Board of Directors shall have the power to determine the application of the provisions of this Article VI with respect to any situation based on the facts known to it. In the event Section 6.2 or 6.3 requires an action by the Board of Directors and the Charter fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 6.1, 6.2 or 6.3. Absent a decision to the contrary by the Board of Directors (which the Board of Directors may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in Section 6.2.2) acquired Beneficial or Constructive Ownership of shares of Capital Stock in violation of Section 6.2.1, such remedies (as applicable) shall apply first to the shares of Capital Stock which, but for such remedies, would have been actually owned by such Person, and second to shares of Capital Stock which, but for such remedies, would have been Beneficially Owned or Constructively Owned (but not actually owned) by such Person, pro rata among the Persons who actually own such shares of Capital Stock based upon the relative number of the shares of Capital Stock held by each such Person.

Section 6.2.7 *Exceptions*.

(a) Subject to Section 6.2.1(a)(ii), the Board of Directors of the Corporation, in its sole and absolute discretion, may exempt (prospectively or retroactively) a Person from the Aggregate Stock Ownership Limit or the Common Stock Ownership Limit, as the case may be, or may establish or increase an Excepted Holder Limit for such Person if:

(i) the Board of Directors determines, based on such representations and undertakings from such Person to the extent required by the Board of Directors and as are reasonably necessary to ascertain, that such exemption will not cause any Individual's Beneficial Ownership of shares of Capital Stock to violate the Aggregate Stock Ownership Limit; and

(ii) the Board of Directors determines that such Person does not and will not Constructively Own an interest in a tenant of the Corporation (or a tenant of any entity directly or indirectly owned, in whole or in part, by the Corporation) that would cause the Corporation to Constructively Own more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant, and the Board of Directors obtains such representations and undertakings from such Person to the extent required by the Board of Directors as are reasonably necessary to ascertain this fact (for this purpose, in the Board of Director's sole and absolute discretion, a tenant from whom the Corporation (or an entity directly or indirectly owned, in whole or in part, by the Corporation) derives (and is expected to continue to derive) a sufficiently small amount of revenue such that, in the opinion of the Board of Directors, rent from such tenant would not adversely affect the Corporation's ability to qualify as a REIT shall not be treated as a tenant of the Corporation).

(b) Prior to granting any exception pursuant to Section 6.2.7(a), the Board of Directors may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole and absolute discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Directors may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) Subject to Section 6.2.1(a)(ii), an underwriter which participates in a public offering or a private placement of Capital Stock (or securities convertible into or exchangeable for Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for Capital Stock) in excess of the Common Stock Ownership Limit, the Aggregate Stock Ownership Limit, or both such limits, but only to the extent necessary to facilitate such public offering or private placement.

(d) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Stock Ownership Limit or the Aggregate Stock Ownership Limit, as applicable.

Section 6.2.8 *Increase or Decrease in Aggregate Stock Ownership and Common Stock Ownership Limits*. Subject to Section 6.2.1(a)(ii) and the rest of this Section 6.2.8, the Board of Directors may, in its sole and absolute discretion, from time to time increase or decrease the Common Stock Ownership Limit and/or the Aggregate Stock Ownership Limit for one or more Persons; provided, however, that a decreased Common Stock

Ownership Limit and/or Aggregate Stock Ownership Limit will not be effective for any Person who Beneficially Owns or Constructively Owns, as applicable, shares of Capital Stock in excess of such decreased Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit at the time such limit is decreased, until such time as such Person's Beneficial Ownership or Constructive Ownership of shares of Capital Stock, as applicable, equals or falls below the decreased Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit, but any further acquisition of shares of Capital Stock or increased Beneficial Ownership or Constructive Ownership of shares of Capital Stock will be in violation of the Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit and, provided further, that the new Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit would not allow five or fewer Persons to Beneficially Own more than 49% in value of the outstanding Capital Stock.

Section 6.2.9 *Legend*. Each certificate representing shares of Capital Stock, if any, shall bear substantially the following legend:

> The shares represented by this certificate are subject to restrictions on Beneficial and Constructive Ownership and Transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Corporation's Charter, (i) no Person may Beneficially Own or Constructively Own shares of the Corporation's Common Stock in excess of **[__]**% (in value or number of shares) of the outstanding shares of Common Stock of the Corporation unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) no Person may Beneficially Own or Constructively Own shares of Capital Stock of the Corporation in excess of **[__]**% of the value of the total outstanding shares of Capital Stock of the Corporation, unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially Own or Constructively Own Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code or otherwise cause the Corporation to fail to qualify as a REIT; and (iv) no Person may Transfer shares of Capital Stock if such Transfer would result in the Capital Stock of the Corporation being owned by fewer than 100 Persons. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own shares of Capital Stock which causes or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. If any of the restrictions on transfer or ownership set forth in (i) through (iii) above are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries. In addition, the Corporation may take other actions, including redeeming shares upon the terms and conditions specified by the Board of Directors in its sole and absolute discretion if

the Board of Directors determines that ownership or a Transfer or other event may violate the restrictions described above. Furthermore, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void *ab initio*. All capitalized terms in this legend have the meanings defined in the Charter of the Corporation, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Capital Stock of the Corporation on request and without charge. Requests for such a copy may be directed to the Secretary of the Corporation at its Principal Office.

Instead of the foregoing legend, a certificate may state that the Corporation will furnish a full statement about certain restrictions on ownership and transfer of the shares to a stockholder on request and without charge.

Section 6.3 *Transfer of Capital Stock in Trust*.

Section 6.3.1 *Ownership in Trust*. Upon any purported Transfer or other event described in Section 6.2.1(b) that would result in a transfer of shares of Capital Stock to a Trust, such shares of Capital Stock shall be deemed to have been transferred to the Trustee as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Trust pursuant to Section 6.2.1(b). The Trustee shall be appointed by the Corporation and shall be a Person who is not affiliated with either the Corporation or any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 6.3.6.

Section 6.3.2 *Status of Shares Held by the Trustee*. Shares of Capital Stock held by the Trustee shall be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Trust. The Prohibited Owner shall have no claim, cause of action, or any other recourse whatsoever against the purported transferor of such Capital Stock.

Section 6.3.3 *Dividend and Voting Rights*. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee shall be paid by the recipient of such dividend or other distribution to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Trust and, subject to Maryland law, effective as of the date that the shares of Capital Stock have been transferred to the Trustee, the Trustee shall have the

authority (at the Trustee's sole and absolute discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VI, until the Corporation has received notification that shares of Capital Stock have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

Section 6.3.4 *Sale of Shares by Trustee*. Within twenty (20) days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares held in the Trust to a Person or Persons, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 6.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 6.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the Trust. The Trustee shall reduce the amount payable to the Prohibited Owner by the amount of dividends and other distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 6.3.3 of this Article VI. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 6.3.4, such excess shall be paid to the Trustee upon demand.

Section 6.3.5 *Purchase Right in Capital Stock Transferred to the Trustee*. Shares of Capital Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise, gift or other transaction, the Market Price at the time of such devise, gift or other transaction) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 6.3.3 of this Article VI. The Corporation shall pay the amount of such reduction

to the Trustee for the benefit of the Charitable Beneficiary. The Corporation shall have the right to accept such offer until the Trustee has sold the shares held in the Trust pursuant to Section 6.3.4. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 6.3.6 *Designation of Charitable Beneficiaries*. By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that the shares of Capital Stock held in the Trust would not violate the restrictions set forth in Section 6.2.1(a) in the hands of such Charitable Beneficiary. Neither the failure of the Corporation to make such designation nor the failure of the Corporation to appoint the Trustee before the automatic transfer provided for in Section 6.2.1(b)(i) shall make such transfer ineffective, provided that the Corporation thereafter makes such designation and appointment.

Section 6.4 *NYSE Transactions*. Nothing in this Article VI shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VI and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VI.

Section 6.5 *Enforcement*. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VI.

Section 6.6 *Non-Waiver*. No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

Section 6.7 *Severability*. If any provision of this Article VI or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

ARTICLE VII

AMENDMENTS

The Corporation reserves the right from time to time to make any amendment to its Charter now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Charter, of any shares of outstanding stock. All rights and powers conferred by the Charter on stockholders, directors and officers are granted subject to this reservation. Except as set forth in the next sentence of the Charter, and except for those amendments permitted to be made without stockholder approval under Maryland law or by specific provision in the Charter, any amendment to the Charter shall be valid only if declared

advisable by the Board of Directors and approved by the affirmative vote of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter. However, any amendment to Section 4.8, Section 5.6 or to this sentence of the Charter shall be valid only if declared advisable by the Board of Directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of all the votes entitled to be cast on the matter.

ARTICLE VIII

LIMITATION OF LIABILITY

To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers of a corporation, no present or former director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article VIII, nor the adoption or amendment of any other provision of the Charter or Bylaws inconsistent with this Article VIII, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

THIRD: The amendment to and restatement of the Charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article III of the foregoing amendment and restatement of the Charter.

FIFTH: The name and address of the Corporation's current resident agent is as set forth in Article III of the foregoing amendment and restatement of the Charter.

SIXTH: The number of directors of the Corporation and the names of those currently in office are as set forth in Article IV of the foregoing amendment and restatement of the Charter.

SEVENTH: The total number of shares of stock which the Corporation had authority to issue immediately prior to this amendment and restatement was **[_____]** shares, $0.01 par value per share of common stock. The aggregate par value of all shares of stock having par value was $**[_____]**.

EIGHTH: The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the Charter is **[_____]**, consisting of **[_____]** shares of Common Stock, $0.01 par value per share, and **[_____]** shares of Preferred Stock, $0.01 par value per share. The aggregate par value of all authorized shares of stock having par value is $**[_____]**.

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

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its Chief Executive Officer and attested to by its Secretary as of the ____ day of _____, 2010.

ATTEST:

Name: Adam Wyll
Title: Secretary

AMERICAN ASSETS TRUST, INC.:

By: _____
Name: John Chamberlain
Title: Chief Executive Officer

Exhibit C

Form of Registration Rights Agreement

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [_____], 2010 by and among American Assets Trust, Inc., a Maryland corporation (the "Company"), and the holders listed on Schedule I hereto (each an "Initial Holder" and, collectively, the "Initial Holders").

RECITALS

WHEREAS, in connection with the initial public offering (the "IPO") of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), the Company and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), have concurrently engaged in certain formation transactions (the "Formation Transactions"), pursuant to which the Initial Holders have concurrently received, in exchange for their (or certain related parties') respective interests in the entities participating in the Formation Transactions or in exchange for services rendered, (i) common units of limited partnership interest in the Operating Partnership ("Common OP Units") and/or (iii) shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions contained in the Operating Partnership Agreement (as defined below), Common OP Units will be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock;

WHEREAS, as a condition to receiving the consent of the Initial Holders to the Formation Transactions, the Company has agreed to grant the Initial Holders and their permitted assignees and transferees the registration rights set forth in Article II hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the definitions set forth above, the following terms, as used herein, have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Registration Rights Agreement, as it may be amended, supplemented or restated from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, New York or San Diego, California are authorized by law to close.

"Charter" means the Articles of Amendment and Restatement of the Company as filed with the Secretary of State of the State of Maryland on [_____], 2010, as the same may be amended, modified or restated from time to time.

"Commission" means the Securities and Exchange Commission.

"Company Piggy-Back Registration" has the meaning set forth in Section 2.1(a).

"Effectiveness Period" has the meaning set forth in Section 2.4(b).

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

"Exchangeable Common OP Units" means Common OP Units which may be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock pursuant to the Operating Partnership Agreement (without regard to any limitations on the exercise of such exchange right as a result of the Ownership Limit Provisions).

"Holder" means (i) any Initial Holder who is the record or beneficial owner of any Registrable Security or (ii) any assignee or transferee of such Initial Holder (including assignments or transfers of Registrable Securities to such assignees or transferees as a result of the foreclosure on any loans secured by such Registrable Securities) (x) to the extent permitted under the Operating Partnership Agreement or the Charter, as applicable, and (y) provided such assignee or transferee agrees in writing to be bound by all the provisions hereof.

"Indemnified Party" has the meaning set forth in Section 2.10.

"Indemnifying Party" has the meaning set forth in Section 2.10.

"Initial Period" means a period commencing on the date hereof and ending 365 days following the effective date of the first Resale Shelf Registration Statement (except that, if the shares of Common Stock issuable upon exchange of Exchangeable Common OP Units received in the Formation Transactions are not included in that Resale Shelf Registration Statement as a result of Section 2.4(b), the 365 days shall not begin until the later of the effective date of (i) the first Resale Shelf Registration Statement and (ii) the first Issuer Shelf Registration Statement).

"Issuer Shelf Registration Statement" has the meaning set forth in Section 2.4(b).

"Market Value" means, with respect to the Common Stock, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date of a written request for registration pursuant to Section 2.1(a). The market price for each such

trading day shall be: (i) if the Common Stock is listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, in either case as reported in the principal consolidated transaction reporting system, (ii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the Company, or (iii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Market Value of the Common Stock shall be determined by the Board of Directors of the Company acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"Notice and Questionnaire" means a written notice, substantially in the form attached as Exhibit A , delivered by a Holder to the Company (i) notifying the Company of such Holder's desire to include Registrable Securities held by it in a Resale Shelf Registration Statement, (ii) containing all information about such Holder required to be included in such registration statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto, and (iii) pursuant to which such Holder agrees to be bound by the terms and conditions hereof.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of [_____], 2010, as the same may be amended, modified or restated from time to time.

"Ownership Limit Provisions" mean the various provisions of the Company's Charter set forth in Article [__] thereof restricting the ownership of Common Stock by Persons to specified percentages of the outstanding Common Stock.

"Person" means an individual or a corporation, partnership, limited liability company, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Rady Demand Registration" has the meaning set forth in Section 2.1(a).

"Rady Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Rady Holder" means a Holder that is Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or

the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns.

"Rady Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Registrable Securities" means with respect to any Holder, shares of Common Stock owned, either of record or beneficially, by such Holder that were (a) received by such Holder or an Initial Holder in the Formation Transactions, (b) acquired by such Holder or an Initial Holder directly from the Underwriters or the Company in the IPO, in each case in a transaction disclosed in the registration statement relating to the IPO, (c) issued or issuable upon exchange of Exchangeable Common OP Units received by such Holder or an Initial Holder in the Formation Transactions, (d) solely in the case of any Rady Holder, any Common Stock acquired by such Rady Holder in the open market after the date hereof and prior to the first (1st) anniversary of the date hereof, and, (e) in the case of (a), (b), (c) and (d), any additional shares of Common Stock issued as a dividend or distribution on, in exchange for, or otherwise in respect of, such shares (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or otherwise).

As to any particular Registrable Securities, they shall cease to be Registrable Securities at the earliest time as one of the following shall have occurred: (i) a registration statement (including a Resale Shelf Registration Statement) covering such shares has been declared effective by the Commission and all such shares have been disposed of pursuant to such effective registration statement or unless such shares (other than Restricted Shares) were issued pursuant to an effective registration statement (including an Issuer Shelf Registration Statement), (ii) such shares have been publicly sold under Rule 144, (iii) all such shares may be sold in one transaction pursuant to Rule 144 or (iv) such shares have been otherwise transferred in a transaction that constitutes a sale thereof under the Securities Act, the Company has delivered to the Holder's transferee a new certificate or other evidence of ownership for such shares not bearing the Securities Act restricted stock legend and such shares subsequently may be resold or otherwise transferred by such transferee without registration under the Securities Act.

"Registration Expenses" shall have the meaning set forth in Section 2.2.

"Resale Shelf Registration" shall have the meaning set forth in Section 2.4(a).

"Resale Shelf Registration Statement" shall have the meaning set forth in Section 2.4(a).

"Restricted Shares" means shares of Common Stock issued under an Issuer Shelf Registration Statement which if sold by the holder thereof would constitute "restricted securities" as defined under Rule 144.

"Rule 144" means Rule 144 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Rule 415" means Rule 415 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Securities Act" means the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act pursuant to the terms hereof.

"Shelf Registration Statement" means a Resale Shelf Registration Statement and/or an Issuer Shelf Registration Statement.

"Suspension Notice" means any written notice delivered by the Company pursuant to Section 2.14 with respect to the suspension of rights under a Resale Shelf Registration Statement or any prospectus contained therein.

"Underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

ARTICLE II
REGISTRATION RIGHTS

Section 2.1. Underwritten Demand Registration.

(a) Commencing on or after the date that is three hundred sixty five (365) days after the consummation date of the IPO and until such time as a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) has been declared effective, or if at any time on or after the date that is sixteen (16) months after the consummation date of the IPO, a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) shall not be effective, the majority in interest of the Rady Holder(s) may make written requests to the Company for one or more registrations of underwritten offerings under the Securities Act of all or part of their Common Stock constituting Registrable Securities (a "Rady Demand Registration"). The Company shall prepare and file a registration statement on an appropriate form with respect to any Rady Demand Registration (the "Rady Demand Registration Statement") and shall use its reasonable efforts to cause the Rady Demand Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof. Any request for a Rady Demand Registration will specify the number of shares of Registrable Securities proposed to be sold in the underwritten offering. The Company shall have the opportunity to register such number of shares of Common Stock as it may elect on the Rady Demand Registration Statement and as part of the same underwritten offering in connection with a Rady Demand Registration (a "Company Piggy-Back Registration"). Unless a majority in interest of the Rady Holders participating in such Rady Demand Registration shall consent in writing, no party, other than the Company, shall be permitted to offer securities in connection with any such Rady Demand Registration.

(b) Underwriters. The Company shall select the book-running managing Underwriter in connection with any Rady Demand Registration; provided that such managing Underwriter must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration. The Company may select any additional investment banks and managers to be used in connection with the offering; provided that such additional investment bankers and managers must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration.

Section 2.2. Piggy-Back Registration. If the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock by the Company for its own account (other than (i) any registration statement filed in connection with a demand registration by a party other than a Rady Holder or (ii) a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission) or filed in connection with an exchange offer or offering of securities solely to the Company's existing securityholders), then the Company shall give written notice of such proposed filing to the Rady Holders as soon as practicable (but in no event less than ten (10) days before the anticipated filing date), and such notice shall offer such Rady Holders the opportunity to register such number of shares of Registrable Securities as each such Rady Holder may request (a "Rady Piggy-Back Registration"); provided, that if and so long as a Shelf Registration Statement is on file and effective, then the Company shall have no obligation to effect a Rady Piggy-Back Registration. The Company shall use its commercially reasonable efforts to cause the managing Underwriter(s)of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Rady Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company included therein.

Section 2.3. Reduction of Offering. Notwithstanding anything contained in Sections 2.1 and 2.2, if the managing Underwriter(s) of an offering described in Section 2.1 or 2.2 advise in writing the Company and the Rady Holders that the size of the intended offering is such that the success of the offering would be significantly and adversely affected by inclusion of (i) the Registrable Securities requested to be included by the Rady Holders in a Rady Piggy-Back Registration or (ii) the Common Stock requested to be included by the Company in a Rady Demand Registration/Company Piggy-Back Registration, then: (x) in the case of a Rady Demand Registration/ Company Piggy-Back Registration, the amount of the Common Stock to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering;and (y) in the caseof a Rady Piggy-Back Registration, the amount of securities to be offered for the accounts of Rady Holders shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Rady Holders shall not be reduced to less than thirty percent (30%) of the total number of securities to be included in such offering.

Section 2.4. Shelf Registration.

(a) Subject to Section 2.14, the Company shall prepare and file not later than fourteen (14) months after the consummation date of the IPO, a "shelf" registration statement with respect to the resale of the Registrable Securities ("Resale Shelf Registration") by the Holders thereof on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration Statement") and permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Resale Shelf Registration Statement. The Company shall use its reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof, and, subject to Sections 2.4(d) and 2.14, to keep such Resale Shelf Registration Statement continuously effective for a period ending when all shares of Common Stock covered by the Resale Shelf Registration Statement are no longer Registrable Securities.

At the time the Resale Shelf Registration Statement is declared effective, each Holder that has delivered a duly completed and executed Notice and Questionnaire to the Company on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of Registrable Securities in accordance with applicable law. If required by applicable law, subject to the terms and conditions hereof, after effectiveness of the Resale Shelf Registration Statement, the Company shall file a supplement to such prospectus or amendment to the Resale Shelf Registration Statement not less than once a quarter as necessary to name as selling securityholders therein any Holders that provide to the Company a duly completed and executed Notice and Questionnaire and shall use reasonable efforts to cause any post-effective amendment to such Resale Shelf Registration Statement filed for such purpose to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof.

(b) The Company may, at its option, satisfy its obligation to prepare and file a Resale Shelf Registration Statement pursuant to Section 2.4(a) with respect to shares of Common Stock issuable upon exchange of Exchangeable Common OP Units by preparing and filing with the Commission not later than fourteen (14) months after the consummation date of the IPO a registration statement on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (an "Issuer Shelf Registration Statement") providing for (i) the issuance by the Company, from time to time, to the Holders of such Exchangeable Common OP Units, of shares of Common Stock registered under the Securities Act (the "Primary Shares") and (ii) to the extent such Primary Shares constitute Restricted Shares, the registered resale thereof by their Holders from time to time in accordance with the methods of distribution elected by the Holders and set forth therein (but except as provided in Section 2.4(c) below, not an underwritten offering). The Company shall use its reasonable efforts to cause the Issuer Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after filing thereof and, subject to Sections 2.4(d) and 2.14, to keep the Issuer Shelf Registration Statement continuously effective for a period (the "Effectiveness Period") expiring on the date all of the shares of Common Stock covered by such Issuer Shelf Registration Statement have been issued by the Company pursuant thereto or are no longer Registrable Securities. If the Company shall exercise its rights under this Section 2.4(b), Holders (other than Holders of Restricted Shares) shall have

no right to have shares of Common Stock issued or issuable upon exchange of Exchangeable Common OP Units included in a Resale Shelf Registration Statement pursuant to Section 2.4(a).

(c) Underwritten Registered Resales. Any offering under a Resale Shelf Registration Statement or by Holders under an Issuer Shelf Registration Statement shall be underwritten at the written request of Holders of Registrable Securities under such registration statement that hold in the aggregate at least ten percent 10% of the Registrable Securities originally issued in the Formation Transactions (provided, that the Registrable Securities requested to be registered in such underwritten offering shall either (i) have a Market Value of at least $25,000,000 on the date of such request or (ii) shall represent all remaining Registrable Securities held by all Rady Holders and shall have a Market Value of at least $10,000,000 on the date of such request; provided, further, that the Company shall not be obligated to effect more than three (3) underwritten offerings under this Section 2.4(c); and provided, further, that the Company shall not be obligated to effect, or take any action to effect, an underwritten offering (i) within 120 days following the last date on which an underwritten offering was effected pursuant to this Section 2.4(c) or Section 2.1(a) or during any lock-up period required by the Underwriters in any prior underwritten offering conducted by the Company on its own behalf or on behalf of selling stockholders, or (ii) during the period commencing with the date thirty (30) days prior to the Company's good faith estimate of the date of filing of (provided the Company is actively employed in good faith commercially reasonable efforts to file such registration statement), and ending on a date ninety (90) days after the effective date of, a registration statement with respect to an offering by the Company. Any request for an underwritten offering hereunder shall be made to the Company in accordance with the notice provisions of this Agreement.

(d) Subsequent Filing. The Company shall prepare and file such additional registration statements as necessary every three (3) years and use its reasonable efforts to cause such registration statements to be declared effective by the Commission so that a Shelf Registration Statement remains continuously effective, subject to Section 2.14, with respect to resales of Registrable Securities as and for the periods required under Section 2.4(a) or (b), as applicable (such subsequent registration statements to constitute a Resale Shelf Registration Statement or an Issuer Shelf Registration Statement, as the case may be, hereunder).

(e) Selling Holders Become Party to Agreement. Each Holder acknowledges that by participating in its registration rights pursuant to this Agreement, such Holder will be deemed a party to this Agreement and will be bound by its terms, notwithstanding such Holder's failure to deliver a Notice and Questionnaire; provided, that any Holder that has not delivered a duly completed and executed Notice and Questionnaire shall not be entitled to be named as a Selling Holder in, or have the Registrable Securities held by it covered by, a Shelf Registration Statement.

Section 2.5. Reduction of Offering. Notwithstanding anything contained herein, if the managing Underwriter(s) of an offering described in Section 2.4(c) advise in writing the Company and the Holder(s) of the Registrable Securities included in such offering that the size of the intended offering is such that the success of the offering would be significantly adversely

affected by inclusion of all the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders shall be reduced pro rata (according to the Registrable Securities requested for inclusion) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s) but in priority to any securities proposed to be sold by any other holders of securities of the Company with registration rights to participate therein. The Company shall have the opportunity to include such number of securities as it may elect in an offering described in Section 2.4(c); provided, if the managing Underwriter(s) of such offering advise in writing the Company and the Holder(s) of the Registrable Securities requested to be included that the success of the offering would be significantly adversely affected by inclusion of all the securities requested to be included by the Company, then the amount of securities to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s); provided, further, the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering.

Section 2.6. Registration Procedures; Filings; Information. Subject to Section 2.14 hereof, in connection with any Resale Shelf Registration Statement under Section 2.4(a), the Company will use its reasonable efforts to effect the registration of the Registrable Securities covered thereby in accordance with the intended method of disposition thereof as quickly as practicable, and, in connection with any Issuer Shelf Registration Statement under Section 2.4(b), the Company will use its reasonable efforts to effect the registration of the Primary Shares (including for resale, to the extent provided in clause (ii) of Section 2.4(b)) as quickly as reasonably practicable. In connection with any Shelf Registration Statement:

(a) The Company will no later than two (2) Business Days prior to filing a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) or prospectus or any amendment or supplement thereto, furnish to each Selling Holder and each Underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter furnish to such Selling Holder and Underwriter, if any, such number of conformed copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder or Underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder.

(b) After the filing of a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(c) The Company will use its reasonable efforts to (i) register or qualify the Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States (where an exemption does not apply) as any Selling Holder or managing Underwriter(s), if any, reasonably (in light of such Selling Holder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition of the Registrable Securities owned by such Selling Holder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (c), (B) subject itself to general taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction. The Company will promptly notify each Selling Holder of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company will immediately notify each Selling Holder of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the Company's receipt of any notification of the suspension of the qualification of any Registrable Securities covered by a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) for sale in any jurisdiction; or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and promptly make available to each Selling Holder any such supplement or amendment.

(e) The Company will otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder (or any successor rule or regulation hereafter adopted by the Commission).

(f) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will enter into and perform its obligations under customary agreements (including an underwriting agreement, if any, in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities (including, to the extent reasonably requested by the lead or managing Underwriters, sending appropriate officers of the Company to attend "road shows" scheduled in reasonable number and at reasonable times in connection

with any such underwritten offering, and obtaining customary comfort letters and legal opinions) subject to such underwritten offering.

(g) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement, the Company will make available for inspection by any Selling Holder of Registrable Securities subject to such underwritten offering, any Underwriter participating in any disposition of such Registrable Securities and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter, all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any inspectors in connection with such registration statement, subject to entry by each such Person of a customary confidentiality agreement in a form reasonably acceptable to the Company.

(h) The Company will use its reasonable efforts to cause all Registrable Securities covered by such Resale Shelf Registration Statement or Primary Shares covered by such Issuer Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(i) In addition to the Notice and Questionnaire, the Company may require each Selling Holder of Registrable Securities to promptly furnish in writing to the Company such information regarding such Selling Holder, the Registrable Securities held by it and the intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration. No Holder may include Registrable Securities in any registration statement pursuant to this Agreement unless and until such Holder has furnished to the Company such information. Each Holder further agrees to furnish as soon as reasonably practicable to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

(j) Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(b) or 2.6(d) or upon receipt of a Suspension Notice, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of written notice from the Company that such disposition may be made and, in the case of clause (ii) of Section 2.6(d) or, if applicable, Section 2.14, copies of any supplemented or amended prospectus contemplated by clause (ii) of Section 2.6(d) or, if applicable, prepared under Section 2.14, and, if so directed by the Company, such Selling Holder will deliver to the Company all copies, other than permanent file copies then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Each Selling Holder of Registrable Securities agrees that it will immediately notify the Company at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act of the happening of an event as a result of which information previously furnished by such Selling Holder to the Company in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact

required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.

Section 2.7. Registration Expenses. In connection with any registration statement required to be filed hereunder, the Company shall pay the following registration expenses incurred in connection with the registration hereunder (the "Registration Expenses"), regardless whether such registration statement is declared effective by the Commission: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, including in connection with the preparation of comfort letters, and any transfer agent and registrar fees, and (vii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or any transfer taxes relating to the registration or sale of the Registrable Securities.

Section 2.8. Indemnification by the Company. The Company agrees to indemnify and hold harmless each Selling Holder of Registrable Securities, its officers, directors, agents, partners, members, employees, managers, advisors, sub-advisors, attorneys, representatives and Affiliates, and each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against, as incurred, any and all losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, prospectus, or free writing prospectus relating to the Registrable Securities (in each case, as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or that arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission included in reliance upon and in conformity with information furnished in writing to the Company by such Selling Holder or on such Selling Holder's behalf expressly for inclusion therein.

Section 2.9. Indemnification by Holders of Registrable Securities. Each Selling Holder agrees, severally but not jointly or jointly and severally, to indemnify and hold harmless the Company, its officers, directors, agents, employees, attorneys, representatives and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Selling Holder, but only with respect to information relating to such Selling Holder included in reliance upon and in conformity with information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration

statement, preliminary prospectus, prospectus or free writing prospectus relating to the Registrable Securities, or any amendment or supplement thereto. In case any action or proceeding shall be brought against the Company or its officers, directors or agents or any such controlling person, in respect of which indemnity may be sought against such Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its officers, directors or agents or such controlling person shall have the rights and duties given to such Selling Holder, by Section 2.10; provided, however, that the total obligations of such Selling Holder under this Agreement (including, but not limited to, obligations arising under Section 2.11 herein) will be limited to an amount equal to the net proceeds actually received by such Selling Holder (after deducting any discounts and commissions) from the disposition of Registrable Securities pursuant to such registration statement.

Section 2.10. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 2.8 or 2.9, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (an "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided, however, that the failure of any Indemnified Party to give such notice will not relieve such Indemnifying Party of any obligations under Section 2.8 or 2.9, except to the extent such Indemnifying Party is materially prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) representation of the Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and the Indemnified Party. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by (i) in the case of Persons indemnified pursuant to Section 2.8 hereof, the Selling Holders which owned a majority of the Registrable Securities sold under the applicable registration statement and (ii) in the case of Persons indemnified pursuant to Section 2.9, the Company. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding without any admission of liability by such Indemnified Party.

Section 2.11. Contribution. If the indemnification provided for in Section 2.8 or 2.9 hereof is held by a court of competent jurisdiction to be unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities that otherwise would have been covered by Section 2.8 or 2.9 hereof, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of each Selling Holder, on the other hand, in connection with such statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party.

The Company and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 2.11 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.11, no Selling Holder shall be required to contribute any amount which in the aggregate exceeds the amount by which the net proceeds actually received by such Selling Holder from the sale of its securities to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Holder's obligations to contribute pursuant to this Section 2.11, if any, are several in proportion to the proceeds of the offering actually received by such Selling Holder bears to the total proceeds of the offering received by all the Selling Holders and not joint.

Section 2.12. Rule 144. The Company covenants that it will (a) make and keep public information regarding the Company available as those terms are defined in Rule 144, (b) file in a timely manner any reports and documents required to be filed by it under the Securities Act and the Exchange Act, (c) furnish to any Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time more than ninety (90) days after the effective date of the registration statement for the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), and (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 2.13. Participation in Underwritten Offerings. No Person may participate in any underwritten offerings hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights provided for in this Article II.

Section 2.14. Suspension of Use of Registration Statement.

(a) If the Board of Directors of the Company determines in its good faith judgment that the filing of a Rady Demand Registration Statement or Resale Shelf Registration Statement under Section 2.1(a) or Section 2.4(a) or the use of any related prospectus would be materially detrimental to the Company because such action would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential or the disclosure of which would materially impede the Company's ability to consummate a significant transaction, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, upon written notice of such determination by the Company to the Holders which shall be signed by the Chief Executive Officer, President or any Executive Vice President of the Company certifying thereto, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Resale Shelf Registration or to require the Company to take action with respect to the registration or sale of any Registrable Securities pursuant to a Resale Shelf Registration Statement shall be suspended until the earliest of (i) the date upon which the Company notifies the Holders in writing that suspension of such rights for the grounds set forth in this Section 2.14(a) is no longer necessary and they may resume use of the applicable prospectus, (ii) the date upon which copies of the applicable supplemented or amended prospectus is distributed to the Holders, and (iii) (x) up to thirty (30) consecutive days after the notice to the Holders if that notice is given during the Initial Period or (y) ninety (90) consecutive days after the notice to the Holders if that notice is given after the Initial Period; provided, that the Company shall not be entitled to exercise any such right more than two (2) times in any twelve (12) month period or less than thirty (30) days from the termination of the prior such suspension period; and provided further, that such exercise shall not prevent the Holders from being entitled to at least three hundred twenty (320) days of effective registration with respect to such registration statement during each Initial Period and thereafter two hundred ten (210) days of effective registration with respect to such registration statement in any 365-day period. The Company agrees to give the notice under (i) above as promptly as practicable following the date that such suspension of rights is no longer necessary.

(b) If all reports required to be filed by the Company pursuant to the Exchange Act have not been filed by the required date without regard to any extension, or if the consummation of any business combination by the Company has occurred or is probable for purposes of Rule 3-05 or Article 11 of Regulation S-X promulgated under the Securities Act or any similar successor rule, upon written notice thereof by the Company to the Holders, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement or to require the Company to take action with respect to the registration or sale of any Registrable Securities

pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement shall be suspended until the date on which the Company has filed such reports or obtained and filed the financial information required by Rule 3-05 or Article 11 of Regulation S-X to be included or incorporated by reference, as applicable, in a Rady Demand Registration Statement or Resale Shelf Registration Statement, and the Company shall use commercially reasonable efforts to file the required reports or obtain and file the financial information required to be included or incorporated by reference, as applicable, as promptly as commercially practicable, and shall notify the Holders as promptly as practicable when such suspension is no longer required.

Section 2.15. Additional Shares. The Company, at its option, may register under a Shelf Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued shares of Common Stock or any shares of Common Stock owned by any other stockholder or stockholders of the Company; provided that in no event shall the inclusion of such shares on a registration statement reduce the amount offered for the account of the Holders in any underwritten offering at the request of the Holders pursuant to Section 2.1(a) or Section 2.4(c).

ARTICLE III
MISCELLANEOUS

Section 3.1. Remedies. In addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, the Holders shall be entitled to specific performance of the rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

Section 3.2. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, in each case without the written consent of the Company and the Holders against whom enforcement is sought. No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.3. Notices. All notices and other communications in connection with this Agreement shall be made in writing by hand delivery, registered first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to any Holder, initially to the address indicated in such Holder's Notice and Questionnaire or, if no Notice and Questionnaire has been delivered, c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address and to such other Persons as any Holder may hereafter specify in writing; and

(2) if to the Company, initially at 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address as the Company may hereafter specify in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when received if deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 3.4. Successors and Assigns; Assignment of Registration Rights. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties. Any Holder may assign its rights under this Agreement without the consent of the Company in connection with a transfer of such Holder's Registrable Securities; provided, that the Holder notifies the Company of such proposed transfer and assignment and the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement.

Section 3.5. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 3.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 3.8. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.10. Termination. The obligations of the parties hereunder shall terminate with respect to a Holder when it no longer holds Registrable Securities and with respect to the Company upon the end of the Effectiveness Period with respect to any Issuer Shelf Registration Statement and with respect to a Resale Shelf Registration Statement when there are no longer Registrable Securities with respect to such Resale Shelf Registration Statement, except, in each case, for any obligations under Sections 2.4(d), 2.7, 2.8, 2.9, 2.10, 2.11 and Article III.

Section 3.11. Waiver of Jury Trial. The parties hereto (including any Initial Holder and any subsequent Holder) irrevocably waive any right to trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

HOLDERS LISTED ON SCHEDULE I HERETO

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:
As Attorney-in-Fact acting on behalf of each of the Holders named on Schedule I hereto

Schedule I

See Attached.

Exhibit A

Form of Notice and Questionnaire

The undersigned beneficial holder of shares of common stock, par value $.01 per share ("Common Stock"), of American Assets Trust, Inc. (the "Company") and/or units of limited partnership interests ("OP Units" and, together with the Common Stock, the "Registrable Securities") of American Assets Trust, L.P. (the "Operating Partnership"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "SEC") one or more registration statements (collectively, the "Resale Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement"), dated [_____], 2010, among the Company and the holders listed on Schedule I thereto. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Resale Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling security holder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). **To be included in the Resale Shelf Registration Statement, this Notice and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein on or prior to the tenth business day before the effectiveness of the Resale Shelf Registration Statement.** We will give notice of the filing and effectiveness of the initial Resale Shelf Registration Statement by issuing a press release and by mailing a notice to the holders at their addresses set forth in the register of the registrar.

Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling security holders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Resale Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the initial Resale Shelf Registration Statement so that such beneficial owners may be named as selling security holders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the initial Resale Shelf Registration Statement, in accordance with the Registration Rights Agreement, the Company will file such amendments to the initial Resale Shelf Registration Statement or additional shelf registration statements or supplements to the related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities.

Certain legal consequences arise from being named as selling security holders in the Resale Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling security holder in the Resale Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Security Holder") of Registrable Securities hereby elects to include in the prospectus forming a part of the Resale Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Resale Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Company and represents and warrants to the Company that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Security Holder:

_____

(b) Full Legal Name of registered holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

_____

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

_____

(d) List below the individual or individuals who exercise voting and/or dispositive powers with respect to the Registrable Securities listed in Item (3) below:

_____

2. Address for Notices to Selling Security Holder:

_____

_____

Telephone: _____

Fax: _____

E-mail address: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

Type of Registrable Securities beneficially owned, and number of shares of Common Stock and/or Common OP Units, as the case may be, beneficially owned:

_____

4. Beneficial Ownership of Securities of the Company Owned by the Selling Security Holder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Registrable Securities listed above in Item (3).

Type and amount of other securities beneficially owned by the Selling Security Holder:

_____

5. Relationship with the Company

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

_____

_____

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Resale Shelf Registration Statement only as follows and will not be offering any of such Registrable Securities pursuant to an agreement, arrangement or understanding entered into with a

broker or dealer prior to the effective date of the Resale Shelf Registration Statement. Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters or broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Security Holder will be responsible for underwriting discounts or commissions or agent's commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions)

(i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale;

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

_____

_____

Note: In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of the Company.

ACKNOWLEDGEMENTS

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Security Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Security Holders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Resale Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Resale Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item 3 above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing this Notice and Questionnaire, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Resale Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Resale Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the Selling Security Holder and received by the Company, the terms of this Notice and Questionnaire and the representations and warranties contained herein shall be binding on, shall insure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Security Holder with respect to the Registrable Securities beneficially owned by such Selling Security Holder and listed in Item 3 above.

This Notice and Questionnaire shall be governed by, and construed in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By _____
Name:
Title:

Dated:

Please return the completed and executed Notice and Questionnaire to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Tel: (858) 350-2600
Fax: (858) 350-2620
Attention: Chief Financial Officer

Exhibit D

Order of Mergers

Each step within each "Transaction Step" below must be completed before the transactions in the following "Transaction Step" may be completed. All transactions within each "Transaction Step" may be completed simultaneously or in any order.

Transaction Step 1

All Forward REIT Mergers
All REIT Sub Forward Mergers

Transaction Step 2

All Contributions to the OP (including the REIT's contribution to the OP of the assets acquired in Step 1)

Transaction Step 3

All Contributions to subsidiaries of the OP (including, where applicable, the OP's contribution to the applicable subsidiary of assets acquired in Step 2)

Transaction Step 4

All OP Forward Mergers ***except*** the OP Forward Merger set forth in Transaction Step 5 and Transaction Step 7 below

Transaction Step 5

Forward Merger of Desert Hillside Holdings LLC with and into the Operating Partnership

Transaction Step 6

All OP Sub Forward Mergers ***except*** the OP Sub Forward Merger set forth in Transaction Step 7 below

Transaction Step 7

Forward Merger of BWH Holdings LLC with and into the Operating Partnership

Forward Merger of Desert Oceanside Holdings LLC with and into Pacific Oceanside Holdings LLC.

Transaction Step 8

All OP Sub Reverse Mergers

Exhibit E

Lock-Up Agreement

_____ __, 2010

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
375 Park Avenue
New York, New York 10152

as Representatives of the several
Underwriters to be named in the
within-mentioned Underwriting Agreement

Re: Proposed Public Offering by American Assets Trust, Inc.

Dear Sirs:

The undersigned, a stockholder of American Assets Trust, Inc., a Maryland corporation (the "Company") and/or a holder of common units of partnership interest (the "Units") in American Assets Trust, LP, a Maryland limited partnership and operating subsidiary of the Company (the "Operating Partnership"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Wells Fargo Securities, LLC ("Wells Fargo") and each of the other Underwriters named in Schedule A to the Underwriting Agreement (as defined below) (collectively, the "Underwriters"), for whom Merrill Lynch and Wells Fargo are acting as representatives (in such capacity, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company and the Operating Partnership, providing for the public offering (the "Public Offering") of shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). In recognition of the benefit that the Public Offering will confer upon the undersigned as a stockholder of the Company and/or as a holder of Units in the Operating Partnership, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each Underwriter to be named in the Underwriting Agreement that, during a period of 180 days from the date of the Underwriting Agreement (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives:

(i) if the undersigned is a director or executive officer of the Company, pursuant to the establishment by the undersigned of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the Lock-Up Period; or

(ii) as a *bona fide* gift or gifts or other dispositions by will or intestacy; or

(iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iv) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the undersigned or the immediate family member of the undersigned; or

(v) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; or

(vi) as a distribution to limited partners, limited liability company members or stockholders of the undersigned; or

(vii) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned; or

(viii) to the Company upon termination of the undersigned's employment with the Company; or

(ix) to pay the exercise price of options to purchase Common Stock pursuant to the cashless exercise feature of such options; or

(x) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (ix) above,

provided that, in each case, (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers or other actions are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market after completion of the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales.

Notwithstanding the foregoing, if:

(1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day Lock-Up Period,

the Representatives may extend, by written notice to the Company, the restrictions imposed by this lock-up agreement until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the period from the date of this lock-up agreement to and including the 34th day following the expiration of the initial 180-day Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the 180-day Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

[Signature Page Follows]

Very truly yours,

Signature: _____

Print Name: _____

(Signature Page to Investor Lock-Up Agreement)

Exhibit F

Operating Partnership Agreement

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMERICAN ASSETS TRUST, L.P.

a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [_____], 2010

TABLE OF CONTENTS

Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [_____], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [_____], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

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

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

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

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

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares

issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided, however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

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

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

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

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

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

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

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

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

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

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

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

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

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

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

"*Common Unit Economic Balance*" means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner's Partnership Common Units.

"*Consent*" means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms "*Consented*" and "*Consenting*" have correlative meanings.

"*Consent of the General Partner*" means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

"*Consent of the Limited Partners*" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

"*Consent of the Partners*" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided*, *however*, that, if any such action affects only certain classes or series of Partnership Interests, "Consent of the Partners" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

"*Constituent Person*" has the meaning set forth in Section 16.9.F hereof.

"*Contributed Property*" means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a "new" partnership pursuant to Code Section 708).

"*Controlled Entity*" means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits and (d) any limited liability company

of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

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

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

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

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

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Family Members*" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

"*Final Adjustment*" has the meaning set forth in Section 10.3.B(2) hereof.

"*Flow-Through Partners*" has the meaning set forth in Section 3.4.C hereof.

"*Flow-Through Entity*" has the meaning set forth in Section 3.4.C hereof.

"*Forced Conversion*" has the meaning set forth in Section 16.9.C hereof.

"*Forced Conversion Notice*" has the meaning set forth in Section 16.9.C hereof.

"*Fourteen-Month Period*" means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party's first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

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

"*General Partner*" means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on Exhibit A, as such Exhibit A may be amended from time to time, in such Person's capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

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

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

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

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

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

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

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

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

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the

appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

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

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

"*LTIP Units*" means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

"*Majority in Interest of the Limited Partners*" means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

"*Majority in Interest of the Partners*" means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

"*Market Price*" has the meaning set forth in the definition of "*Value*."

"*Maryland Courts*" has the meaning set forth in Section 15.9.B hereof.

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss" shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss," shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

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

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

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

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

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

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

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

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

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt

were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

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

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established within ten (10) Business Days of the record date for the determination of the existence of such Partnership Approval, then Partnership Approval shall be deemed not to exist with respect to the event constituting such General Partner Interest Transfer.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in

Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

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

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided*, *however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

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

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"*SDAT*" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a

"taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT

Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation*. The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name*. The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office*. The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such

other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

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

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

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

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term*. The term of the Partnership commenced on [_____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities*. All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business*. The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified*. The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a "partnership at will" (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the

meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an

individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

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

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing

services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to

the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment

Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the General Partner shall sell to such Partnership Subsidiary), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the Partnership Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

D. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares.*

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the same as the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares ("*Partnership Equivalent Units*") equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the

Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares*. Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its

sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term "Partnership Year" may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

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

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

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

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being

allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4)

and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. *Allocation of Excess Nonrecourse Liabilities*. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

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

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

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

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

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

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

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

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

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating

to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

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

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

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

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

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

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

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

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

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is

entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several,

expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

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

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

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

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

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

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

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

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

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

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

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

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

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

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been

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

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such

opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

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

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner.* No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year.* For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns.* The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections.* Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

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

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a "notice partner" (as defined in Code Section 6231) or a member of a "notice group" (as defined in Code Section 6223(b)(2));

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

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

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

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

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

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

Section 10.4 *Withholding.* Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan

if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses.* The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any

other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. The General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its stockholders (each of a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of

its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided, however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided, further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided, however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided, further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided, however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by

the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within

the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be

subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions*.

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii)

in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner.* A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate Consent of the Limited Partners or the consent or approval of any other Partners. Any such

successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission

shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership.* For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners.* Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission.* A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution.* The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

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

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

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

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

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

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution.* Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax

purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders.* Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution.* In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership.* Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up.* A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided, however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS
OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners.* The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments.* Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the

proposal; *provided, however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action, (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion,

redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided, however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or

restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice.* Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions.* All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as

specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals.* Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action.* The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver*.

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

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided*, *however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided*, *further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts.* This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

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

event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement.* This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions.* If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status.* Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, however, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition.* No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby.* The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third

party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders.* Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation.* A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting*.

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and

with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments.* The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP

Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations.* Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers.* Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption.* The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend.* Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units

covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be

reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special

allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting.* LTIP Unit Limited Partners shall (a) have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter. So long as any LTIP Units remain outstanding and except as provided in Section 16.3, the Partnership shall not, without the Consent of the Limited Partners holding a majority of the LTIP Units held by Limited Partners at the time (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of the Agreement applicable to LTIP Units so as to materially and adversely affect any right, privilege or voting power of the LTIP Units or the LTIP Unit Limited Partners as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners holding Partnership Common Units; but subject, in any event, to the following provisions: (i) with respect to any Transaction, so long as the LTIP Units are treated in accordance with Section 16.9.F hereof, the consummation of such Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such; and (ii) any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Partnership Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such. The foregoing voting provisions will not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted or provision is made for such conversion to occur as of or prior to such time into Partnership Common Units.

Section 16.11 Section 83 *Safe Harbor.* Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such

election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: _____
Name:
Its:

LIMITED PARTNER:
[,
a],

By: _____
Name:
Its:

LIMITED PARTNER:

_____
Name:

As of [ ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	**Partnership Units (Type and Amount)**
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL:	[ ] Partnership Common Units

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [_____] is 1.0 and (b) on [_____] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

_____

_____

_____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [ ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: _____

Name of Limited Partner or Assignee:

(Signature of Limited Partner or Assignee)

(Street Address)

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

Issue Check Payable to:
Please insert social security
or identifying number:

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT
LTIP UNITS INTO PARTNERSHIP COMMON UNITS

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____
Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

_____
(Signature of Holder)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to: _____

Please insert social security
or identifying number: _____

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

Exhibit 10.11

AGREEMENT AND PLAN OF MERGER

DATED AS OF SEPTEMBER 13, 2010

BY AND AMONG

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

[OP SUB FORWARD MERGER ENTITY MERGER SUB]
a Delaware limited liability company

AND

[OP SUB FORWARD MERGER ENTITY]
a [_____]

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of September 13, 2010, by and among American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership") and a subsidiary of American Assets Trust, Inc., a Maryland corporation (the "REIT"), **[OP Sub Forward Merger Entity]**, a **[_____]** (the "SPE"), and **[OP Sub Forward Merger Entity Merger Sub]**, a Delaware limited liability company to be formed prior to the Effective Time (defined below) and to be wholly-owned by the Operating Partnership ("Merger Sub").

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities each as described on Schedule I hereto;

WHEREAS, concurrently with the execution of this Agreement, each of the entities identified on Schedule I hereto as "Forward REIT Merger Entities" (the "Forward REIT Merger Entities") will enter into an agreement and plans of merger with the REIT pursuant to which each such Forward REIT Merger Entity will merge with and into the REIT and the equity interest in each Forward REIT Merger Entity will be converted automatically into the right to receive cash, without interest, or shares of common stock of the REIT, par value $.01 per share (the "REIT Shares");

WHEREAS, concurrently with the execution of this Agreement, the REIT will enter into agreements and plans of merger with certain American Assets Entities identified as "REIT Sub Forward Merger Entities" on Schedule I hereto (the "REIT Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each of the REIT Sub Forward Merger Entities will merge with and into wholly owned subsidiaries of the REIT;

WHEREAS, immediately following the completion of the mergers described in the preceding paragraphs, the REIT will contribute to the Operating Partnership, (i) all of the assets, rights and obligations of the Forward REIT Merger Entities acquired by the REIT as a result of the mergers between it and the Forward REIT Merger Entities and (ii) all of the REIT's interests in the surviving entities of the mergers of the REIT Sub Forward Merger Entities with and into wholly owned subsidiaries of the REIT;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, will enter into a contribution agreement with certain holders (the "Contributors") of interests in certain American Assets Entities identified as "Contributed Entities" on Schedule I hereto, pursuant to which, immediately following the completion of the mergers and contributions described in the preceding paragraphs, each Contributor shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, respectively, all of the Contributor's interests in the applicable American Assets Entity (the "Contributed Interest"), and the Operating Partnership, or such subsidiary, as applicable, shall acquire from each Contributor all of each Contributor's right, title and interest as a holder of the Contributed Interests;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into an agreement and plan of merger with certain American Assets Entities identified as "Forward OP Merger Entities" on Schedule I hereto (collectively, the "Forward OP Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each Forward OP Merger Entity will merge with and into the Operating Partnership in the order set forth in the merger agreement for such entities;

WHEREAS, pursuant to this Agreement, immediately following the mergers identified in the preceding paragraph, the SPE will merge with and into the Merger Sub, with the Merger Sub as the surviving entity (the "Merger"), pursuant to which each membership interest in the SPE (the "SPE Equity Interest") will be converted automatically as set forth herein into the right to receive cash, without interest, common units of partnership interest in the Operating Partnership (the "OP Units"), REIT Shares, or a combination of the foregoing;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain other American Assets Entities identified as "OP Sub Forward Merger Entities" on Schedule I hereto (collectively with the SPE, the "OP Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each of the other OP Sub Forward Merger Entities will merge with and into wholly owned subsidiaries of the Operating Partnership;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Reverse Merger Entities" on Schedule I hereto (collectively, the "OP Sub Reverse Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, a separate wholly-owned subsidiary of the Operating Partnership will merge with and into each OP Sub Reverse Merger Entity;

WHEREAS, in lieu of one or more of the mergers described in the preceding paragraphs and at the same time as such mergers would have otherwise occurred, certain holders (the "Consenting Holders") of interests in certain American Assets Entities shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, all of their interests in the applicable American Assets Entity, and the Operating Partnership, or such subsidiary, shall acquire from each Consenting Holder, all of each Consenting Holder's right, title and interest as a holder of interests in such American Assets Entities;

WHEREAS, the Formation Transactions relate to the proposed initial public offering (the "IPO") of the REIT Shares, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code;

WHEREAS, in accordance with applicable Law, the SPE may be merged with another entity, subject to the requisite approval of the equity holders as required by applicable Law;

WHEREAS, the REIT, as the general partner of the Operating Partnership, has approved and authorized the Merger and the other Formation Transactions in accordance with the Maryland Revised Uniform Limited Partnership Act (the "MLPA") and the Operating Partnership Agreement;

WHEREAS, the managing member, manager, board of directors or general partner, as applicable, of the SPE has determined that it is advisable and in the best interests of the SPE, and its equity holders to proceed with the Merger and the other Formation Transactions on the terms described in this Agreement; and

WHEREAS, the SPE has obtained the requisite approval of its equity holders (and lenders, as applicable) to the Merger and the other Formation Transactions, applicable to the SPE.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I
THE MERGER

Section 1.01 THE MERGER. At the Effective Time (as defined below) in the order specified in Exhibit F, and subject to and upon the terms and conditions of this Agreement and in accordance with applicable Laws, the SPE shall be merged with and into the Merger Sub, whereby the separate existence of the SPE shall cease, and the Merger Sub shall continue its existence under Delaware law as the surviving entity (hereinafter sometimes referred to as the "Surviving Entity").

Section 1.02 EFFECTIVE TIME. Subject to and upon the terms and conditions of this Agreement, concurrently with or as soon as practicable after (i) the execution by the REIT and the Operating Partnership of the Underwriting Agreement and (ii) the satisfaction or waiver of the conditions set forth in Article VII, the Merger Sub and the SPE shall file a certificate of merger or similar document with respect to the Merger (the "Certificate of Merger") as may be required by applicable Law with the Secretary of State of each applicable jurisdiction, providing that the Merger shall become effective upon filing or at such later date and time set forth in the Certificate of Merger that is not more than thirty (30) days after the acceptance of such Certificate of Merger by the Secretary of State of the applicable jurisdiction for record (the "Effective Time"), together with any certificates and other filings or recordings related thereto, in such forms as are required by, and executed in accordance with, the relevant provisions of applicable laws.

Section 1.03 EFFECT OF THE MERGER. At the Effective Time, which shall be in the order specified in Exhibit F, the effect of the Merger shall be as provided in this Agreement, the Certificate of Merger and applicable Laws.

Section 1.04 ORGANIZATIONAL DOCUMENTS. At the Effective Time, the Organizational Documents of the Merger Sub, as in effect immediately prior to the Effective Time, shall be the Organizational Documents of the Surviving Entity until thereafter amended as provided therein or in accordance with applicable Law.

Section 1.05 CONVERSION OF SPE EQUITY INTERESTS.

(a) Under and subject to the terms and conditions of the respective Formation Transaction Documentation, as the result of an irrevocable election indicated on a Consent Form submitted by a Pre-Formation Participant or as a result of the failure of a Pre-Formation Participant to submit a Consent Form, each Pre-Formation Participant is irrevocably bound to accept and entitled to receive, as a result of and upon consummation of the Merger or other Formation Transactions, a specified share of the sponsors' value of the American Assets Entities as a whole in the form of the right to receive cash, REIT Shares and/or OP Units as calculated in Section 1.05(b).

(b) At the Effective Time, by virtue of the Merger and without any action on the part of the Operating Partnership, the SPE or the holders of any interest in the SPE, except as set forth in Section 1.05(c), each SPE Equity Interest shall be converted automatically into the right to receive cash, OP Units and/or REIT Shares with an aggregate value equal to the portion of Equity Value represented by such SPE Equity Interest (collectively referred to as the "Merger Consideration") and each holder that receives OP Units in the Merger shall upon receipt of such OP Units and the delivery of a Consent Form or a counterpart signature page to the Operating Partnership Agreement and such other documents and instruments as may be required in the sole discretion of the REIT to effect such holder's admission as a limited partner of the Operating Partnership, be admitted as a limited partner of the Operating Partnership in accordance with the MLPA and the Operating Partnership Agreement.

Subject to Section 1.07 and Section 2.02(c), the amount of cash, number of OP Units and/or REIT Shares comprising the Merger Consideration for each SPE Equity Interest so converted shall be as follows:

(i) Cash: One hundred percent (100%) of the Allocated Share for each SPE Equity Interest held by a Pre-Formation Participant who is not an Accredited Investor shall be paid in cash.

(ii) OP Units. The Elected OP Unit Percentage of the Allocated Share for each SPE Equity Interest or portion thereof held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of OP Units equal to the applicable portion of such Allocated Share divided by the IPO Price.

(iii) REIT Shares. The Elected REIT Shares Percentage of the Allocated Share for each SPE Equity Interest or portion thereof held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of REIT Shares equal to the applicable portion of such Allocated Share divided by the IPO Price; *provided* that, to the extent such distribution of REIT Shares to the holder of the SPE Equity Interests would result in a violation of the restrictions on ownership and transfer set forth in Section 6.3 of the REIT's charter (the "Ownership Limits"), such holder shall receive (x) the maximum number of whole REIT Shares that would not result in a violation of the Ownership Limits, and (y) that number of OP Units equal to the remaining number of REIT Shares not distributed as a result of the application of the foregoing clause (x).

(c) Each SPE Equity Interest issued and outstanding immediately prior to the Effective Time that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries (having been previously acquired by the REIT, the Operating Partnership or any such Subsidiary thereof pursuant to the other Formation Transactions) shall remain issued and outstanding, and no consideration shall be delivered hereunder in exchange therefor.

Section 1.06 CANCELLATION AND RETIREMENT OF SPE EQUITY INTERESTS. From and after the Effective Time, (i) each SPE Equity Interest converted into the right to receive the Merger Consideration pursuant to Section 1.05(b) shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of such SPE Equity Interest so converted shall thereafter cease to have any rights as an equity holder of the SPE, except the right to receive the Merger Consideration applicable thereto, and (ii) each SPE Equity Interest issued and outstanding that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist and no consideration shall be delivered hereunder in exchange therefor.

Section 1.07 FRACTIONAL INTERESTS. No fractional OP Units or REIT Shares shall be issued in the Merger. All fractional OP Units that a holder of SPE Equity Interests would otherwise be entitled to receive as a result of the Merger and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole OP Units resulting from such aggregation and, in lieu of any fractional OP Unit resulting from such aggregation, an amount in cash determined by multiplying that fraction of an OP Unit to which such holder would otherwise have been entitled, by the IPO Price. All fractional REIT Shares that a holder of SPE Equity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole REIT Shares resulting from such aggregation and, in lieu of any fractional REIT Share resulting from such aggregation, an amount in cash determined by multiplying that fraction of a REIT Share to which such holder would otherwise have been entitled, by the IPO Price. No interest will be paid or will accrue on any cash paid or payable in lieu of any fractional OP Unit or REIT Share.

Section 1.08 CALCULATION OF MERGER CONSIDERATION.

(a) As soon as practicable following the determination of the IPO Price and prior to the Effective Time, all calculations relating to the Merger Consideration shall be performed in good faith by, or under the direction of, the REIT, and, absent manifest error, shall be final and binding upon the holders of SPE Equity Interests.

Section 1.09 TRANSACTION COSTS. If the Closing occurs, the REIT and the Operating Partnership shall be solely responsible for all transaction costs and expenses of the REIT, the Operating Partnership and the American Assets Entities in connection with the Formation Transactions and the IPO, which include, but are not limited to, the underwriting discounts and commissions. In the event the Closing does not occur, such costs and expenses shall be paid in accordance with the terms of that certain letter agreement entered into by the Property Entities (as defined therein) and American Assets, Inc., a California corporation, dated as of May 17, 2010.

ARTICLE II
CLOSING; TERM OF AGREEMENT

Section 2.01 CLOSING. Unless this Agreement shall have been terminated pursuant to Section 2.05, and subject to the satisfaction or waiver of the conditions in Article VII, the filing of the Certificate of Merger, the Effective Time and the closing of the other transactions contemplated by this Agreement shall occur substantially concurrently with the receipt by the REIT of the proceeds from the IPO from the underwriters (the "Closing" or the "Closing Date") in the order set forth on Exhibit F. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400 San Diego, California 92130 or such other place as determined by the REIT in its sole discretion. The Closing hereunder and the closing of the IPO shall be deemed concurrent for all purposes.

Section 2.02 PAYMENT OF MERGER CONSIDERATION.

(a) As soon as reasonably practicable after the Effective Time, the Surviving Entity (or its successor in interest) shall deliver to each holder of SPE Equity Interests, whose SPE Equity Interests have been converted into the right to receive the Merger Consideration pursuant to Section 1.05(a) hereof, the Merger Consideration payable to such holder in the amounts and form provided in Section 1.05(a) hereof. The issuance of the OP Units and admission of the recipients thereof as limited partners of the Operating Partnership pursuant to Section 1.05(a) shall be evidenced by an amendment to Exhibit A to the Operating Partnership Agreement, and the Operating Partnership shall deliver, or cause to be delivered, an executed copy of such amendment to each Pre-Formation Participant receiving OP Units hereunder. Any certificate representing REIT Shares issuable as Merger Consideration shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS THE TRANSFEROR DELIVERS TO THE CORPORATION AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND

EXCEPT AS EXPRESSLY PROVIDED IN THE CORPORATION'S CHARTER, (I) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S COMMON STOCK IN EXCESS OF [__]% (IN VALUE OR NUMBER OF SHARES) OF THE OUTSTANDING SHARES OF COMMON STOCK OF THE CORPORATION UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (II) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK OF THE CORPORATION IN EXCESS OF [__]% OF THE VALUE OF THE TOTAL OUTSTANDING SHARES OF CAPITAL STOCK OF THE CORPORATION, UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (III) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN CAPITAL STOCK THAT WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (IV) NO PERSON MAY TRANSFER SHARES OF CAPITAL STOCK IF SUCH TRANSFER WOULD RESULT IN THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK IN EXCESS OR IN VIOLATION OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP SET FORTH IN (I) THROUGH (III) ABOVE ARE VIOLATED, THE SHARES OF CAPITAL STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY TAKE OTHER ACTIONS, INCLUDING REDEEMING SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID *AB INITIO*. ALL UNDERLINED TERMS IN THIS LEGEND HAVE THE MEANINGS DEFINED IN THE CHARTER OF THE CORPORATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF CAPITAL STOCK OF THE CORPORATION ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

(b) The Surviving Entity (or its successor in interest) shall not be liable to any holder of an SPE Equity Interests for any portion of the Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(c) So long as some portion of the Merger Consideration with respect to an American Assets Entity is in the form of OP Units, the parties hereto intend and agree that, for United States federal income tax purposes, the Merger of such entity shall constitute an "assets-over" partnership merger within the meaning of Treasury Regulations Section 1.708-1(c)(3)(i), and, as a result, that (i) any payment of cash or REIT Shares for SPE Equity Interests of such holder in such entity shall be treated as a sale of such SPE Equity Interests by the holder and a purchase of such SPE Equity Interests by the Operating Partnership for the cash and/or REIT Shares so paid under the terms of this Agreement in accordance with Treasury Regulations Section 1.708-1(c)(4), and (ii) each such holder of SPE Equity Interests who accepts cash and/or REIT Shares shall explicitly agree and consent (the "Sale Consent") to such treatment in their Consent Form as a condition to electing such consideration. To the extent the Operating Partnership acquires any SPE Equity Interests as described above, or previously acquired such interest, for United States federal income tax purposes the receipt by the Operating Partnership of the portion of property attributable to such SPE Equity Interests shall be treated as a distribution by the SPE Equity in redemption of such SPE Equity Interests. Notwithstanding Section 1.05(a) and any holder's election as to the form of their Merger Consideration, if any holder (other than a non-accredited investor) fails to execute a Sale Consent prior to the Closing, such holder's Merger Consideration shall consist solely of OP Units. Any cash paid as the Merger Consideration to a non-accredited investor for an SPE Equity Interests shall be paid only after the receipt of a Sale Consent from such holder.

Section 2.03 TAX WITHHOLDING. The Operating Partnership, Merger Sub and the SPE, as applicable, shall be entitled to deduct and withhold from the consideration payable pursuant to this Agreement to any holder of SPE Equity Interests such amounts required to be deducted and withheld with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the SPE Equity Interests in respect of which such deduction and withholding was made.

Section 2.04 FURTHER ACTION. If, at any time after the Effective Time, the Surviving Entity shall determine or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Entity the right, title or interest in, to or under any of the rights, properties or assets of the SPE acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the Surviving Entity shall be authorized to execute and deliver, in the name and on behalf of the SPE or otherwise, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of the SPE or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Entity or otherwise to carry out this Agreement.

Section 2.05 TERM OF THE AGREEMENT. This Agreement shall terminate automatically if (i) the initial registration statement of the REIT for the IPO (the "Registration Statement") has not been filed with the Securities and Exchange Commission ("SEC") by March 31, 2011, or (ii) the Merger shall not have been consummated on or prior to December 31, 2011 (such date is hereinafter referred to as the "Outside Date").

Section 2.06 EFFECT OF TERMINATION. In the event of termination of this Agreement for any reason, all obligations on the part of the Operating Partnership, the Merger Sub and the SPE under this Agreement shall terminate, except that the obligations set forth in Article VIII shall survive; it being understood and agreed, however, for the avoidance of doubt, that if this Agreement is terminated because one or more of the conditions to a non-breaching party's obligations under this Agreement are not satisfied by the Outside Date as a result of the other party's material breach of a covenant, representation, warranty or other obligation under this Agreement or any other Formation Transaction Documentation, the non-breaching party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE OPERATING PARTNERSHIP AND MERGER SUB

Each of the Operating Partnership and Merger Sub hereby represents and warrants to the SPE as follows:

Section 3.01 ORGANIZATION; AUTHORITY.

(a) Each of the Operating Partnership and Merger Sub has been duly incorporated or formed and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation, as applicable, and upon the effectiveness of the Operating Partnership Agreement, will have all requisite power and authority to enter into this Agreement and the other Formation Transaction Documentation and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate its property and to carry on its business as presently conducted and each of the Operating Partnership and Merger Sub, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

(b) Schedule 3.01(b) sets forth as of the date hereof, (i) each Subsidiary of the Operating Partnership (each an "Operating Partnership Subsidiary"), (ii) the ownership interest therein of the Operating Partnership, and (iii) if not wholly owned by the Operating Partnership, the identity and ownership interest of each of the other owners of such Operating Partnership Subsidiary. Each Operating Partnership Subsidiary has been duly organized or formed and is validly existing and is in good standing under the Laws of its jurisdiction of organization or formation, as applicable, has all requisite power and authority to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which

the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.02 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Formation Transaction Documentation (including each agreement, document and instrument executed and delivered by or on behalf of the Operating Partnership and Merger Sub pursuant to this Agreement or the other Formation Transaction Documentation) by the Operating Partnership and Merger Sub, have been duly and validly authorized by all necessary actions required of each of the Operating Partnership and Merger Sub, respectively. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of each of the Operating Partnership and Merger Sub pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of each of the Operating Partnership and Merger Sub, each enforceable against each of the Operating Partnership and Merger Sub, in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 3.03 CONSENTS AND APPROVALS. Except for the filing of the Certificate of Merger in accordance with Section 1.02 hereof or in connection with the IPO and the consummation of the other Formation Transactions, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by the Operating Partnership or Merger Sub in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby, except for (i) those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect, or (ii) those consents of the Pre-Formation Participants under the Organizational Documents of the applicable American Assets Entity, the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.04 NO VIOLATION. None of the execution, delivery or performance of this Agreement, the other Formation Transaction Documentation, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of any of the Operating Partnership or Merger Sub, (B) any agreement, document or instrument to which the Operating Partnership or Merger Sub or any of their respective assets are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on any of the Operating Partnership or Merger Sub, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.05 VALIDITY OF OP UNITS. Any OP Units to be issued pursuant to this Agreement will have been duly authorized and, when issued against the consideration therefor, will be validly issued by the Operating Partnership, free and clear of all Liens created by the Operating Partnership (other than any Liens created by the Operating Partnership Agreement).

Section 3.06 OPERATING PARTNERSHIP AGREEMENT. Attached as Exhibit C hereto is a true and correct copy of the Operating Partnership Agreement in substantially final form.

Section 3.07 LIMITED ACTIVITIES. Except for activities in connection with the IPO, the Formation Transactions or in the ordinary course of business, neither the Operating Partnership, the Operating Partnership Subsidiaries nor the Merger Sub has engaged in any material business or incurred any material obligations.

Section 3.08 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, there is no action, suit or proceeding pending or, to the knowledge of the Operating Partnership or Merger Sub, threatened against the Operating Partnership or any Operating Partnership Subsidiary, other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation of the Operating Partnership, that individually or in the aggregate, would not reasonably be expected, (a) if adversely determined, to have an OP Material Adverse Effect, or (b) to challenge or impair the ability of the Operating Partnership or Merger Sub to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby to such an extent as would result in an OP Material Adverse Effect.

Section 3.09 NO BROKER. Neither the Operating Partnership nor the Merger Sub has entered into, each of the Operating Partnership and the Merger Sub covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the SPE or any Affiliates thereof to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 3.10 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article III, the Operating Partnership and Merger Sub shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby. All representations, warranties and covenants of the Operating Partnership and Merger Sub contained in this Agreement shall expire at the Closing.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SPE

Except as disclosed in the Prospectus or the schedules attached hereto, the SPE represents and warrants to the Operating Partnership that the following statements are true and correct as of the Closing Date:

Section 4.01 ORGANIZATION; AUTHORITY.

(a) The SPE has been duly organized and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation, and has all requisite power and authority to enter into this Agreement, each agreement contemplated hereby and the other Formation Transaction Documentation to which it is a party (including any agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation) and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate any Property owned, leased and/or operated by it and to carry on its business as presently conducted. The SPE, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of a Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

(b) Schedule 4.01(b) sets forth as of the date hereof with respect to the SPE (i) each Subsidiary of the SPE (each an "SPE Subsidiary"), (ii) the ownership interest therein of the SPE, (iii) if not wholly owned by the SPE, the identity and ownership interest of each of the other owners of such Subsidiary, and (iv) each property owned by the SPE or such Subsidiary or leased pursuant to a ground lease by the SPE of such Subsidiary (each a "Property"). Each SPE Subsidiary has been duly organized and is validly existing and is in good standing under the Laws of its jurisdiction of organization, and has all requisite power and authority to own, lease and/or operate its Property and to carry on its business as presently conducted. Each SPE Subsidiary, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.02 DUE AUTHORIZATION. The execution, delivery and performance by the SPE of this Agreement and the other Formation Transaction Documentation (including any agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation) to which it is a party have been duly and validly authorized by all necessary actions required of the SPE. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of the SPE, each enforceable against the SPE in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.03 CAPITALIZATION. Schedule 4.03 sets forth as of the date hereof the ownership of the SPE. All of the issued and outstanding equity interests of the SPE and each SPE Subsidiary are duly authorized, validly issued and fully paid; and, to the knowledge of the SPE, are not subject to preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights under the Organizational Documents of or any contract to which the SPE is a party or otherwise bound, except for such preemptive rights, transfer restrictions, or appraisal,

dissenters' or other similar rights as would not prevent the Merger. There are no outstanding rights to purchase, subscriptions, warrants, options or any other security convertible into or exchangeable for equity interests in the SPE or its SPE Subsidiaries.

Section 4.04 CONSENTS AND APPROVALS. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or any Governmental Authority or under any applicable Laws is required to be obtained by the SPE or any of the SPE Subsidiaries in connection with the execution, delivery and performance of this Agreement, the other Formation Transaction Documentation to which the SPE or any of the SPE Subsidiaries is a party and the transactions contemplated hereby and thereby, except for those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.05 NO VIOLATION. None of the execution, delivery or performance of this Agreement, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the Organizational Documents of the SPE or any SPE Subsidiary (B) any agreement, document or instrument to which the SPE or any SPE Subsidiary or any of their respective assets or properties are bound by or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on the SPE or any SPE Subsidiary, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.06 LICENSES AND PERMITS. To the knowledge of the SPE, all notices, licenses, permits, certificates and authorizations required for the continued use, occupancy, management, leasing and operation of the Properties have been obtained or can be obtained without material cost, are in full force and effect, are in good standing and (to the extent required in connection with the transactions contemplated by the Formation Transaction Documentation) are assignable to the Merger Sub, except in each case for items that, if not so obtained, obtainable and/or transferred, would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect. To the knowledge of the SPE, neither the SPE, nor any SPE Subsidiary, nor any third party has taken any action that (or failed to take any action the omission of which) would result in the revocation of any such notice, license, permit, certificate or authorization where such revocation or revocations would, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, nor has any one of them received any written notice of violation from any Governmental Authority or written notice of the intention of any entity to revoke any such notice, license, permit, certificate or authorization, that in each case has not been cured or otherwise resolved to the satisfaction of such Governmental Authority or other entity and except as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.07 COMPLIANCE WITH LAWS. To the knowledge of the SPE, the SPE and each SPE Subsidiary have conducted their respective businesses in compliance with all applicable Laws, except for such failures that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect. To the knowledge of the SPE, neither the SPE, nor any SPE Subsidiary nor any third party has been informed in writing of any continuing violation of any such Laws or that any investigation has been commenced and is continuing or is contemplated respecting any such possible violation, except in each case for violations that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.08 PROPERTIES.

(a) Except as set forth in Schedule 4.08(a), the SPE or an SPE Subsidiary is the insured under a policy of title insurance as the owner of, and, to the knowledge of the SPE, the SPE or an SPE Subsidiary is the owner of, the fee simple estate (or, in the case of certain Properties, the leasehold estate or the tenancy-in-common estate) to the Property owned by the SPE or an SPE Subsidiary, in each case free and clear of all Liens except for Permitted Liens. Prior to the effective time of the merger contemplated hereby, neither the SPE nor any SPE Subsidiary shall take or omit to take any action to cause any Lien to attach to any Property, except for Permitted Liens and Liens, if any, given to secure mortgage indebtedness encumbering such Property.

(b) Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, to the knowledge of the SPE, (1) neither the SPE, nor any SPE Subsidiary, nor any other party to any material agreement affecting any Property (other than a Lease (as such term is hereinafter defined) for space within such Property), is in breach or default of any such agreement, (2) no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any such agreement, or would, individually or together with all such other events, reasonably be expected to cause the acceleration of any material obligation of any party thereto or the creation of a Lien upon any asset of the SPE or any SPE Subsidiary, except for Permitted Liens, and (3) all agreements affecting any Property required for the continued use, occupancy, management, leasing and operation of such Property (exclusive of space Leases) are valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

(c) To the knowledge of the SPE, as presently conducted, none of the operation of the buildings, fixtures and other improvements comprising a part of the Properties is in violation of any applicable building code, zoning ordinance or other "land use" Law, except for such violations that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

(d) Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, (1) to the knowledge of the SPE, neither the SPE, nor its SPE Subsidiary, nor any other party to any Lease, is in breach or default of any such Lease, (2) to the knowledge of the SPE, no event has occurred or has been

threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any Lease, or would permit termination, modification or acceleration under such Lease, and (3) to the knowledge of the SPE each of the leases (and all amendments thereto or modifications thereof) to which the SPE or any SPE Subsidiary is a party or by which the SPE or any SPE Subsidiary or any Property is bound or subject (collectively, the "Leases") is valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.09 INSURANCE. The SPE or an SPE Subsidiary has in place the public liability, casualty and other insurance coverage with respect to each Property owned, leased and/or managed by it as the SPE reasonably deems necessary and in all cases including such coverage as is required under the terms of any continuing loan or Lease. Each of the insurance policies with respect to each Property is in full force and effect in all material respects and all premiums due and payable thereunder have been fully paid when due. To the knowledge of the SPE, neither the SPE nor any SPE Subsidiary has received from any insurance company any notices of cancellation or intent to cancel any insurance.

Section 4.10 ENVIRONMENTAL MATTERS. Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, to the knowledge of the SPE, (A) the SPE and the SPE Subsidiaries are in compliance with all Environmental Laws, (B) neither the SPE nor any SPE Subsidiary have received any written notice from any Governmental Authority or third party alleging that the SPE, any SPE Subsidiary or any Property is not in compliance with applicable Environmental Laws, and (C) there has not been a release of a hazardous substance on any of the Properties that would require investigation or remediation under applicable Environmental Laws. The representations and warranties contained in this Section 4.10 constitute the sole and exclusive representations and warranties made by the SPE concerning environmental matters.

Section 4.11 EMINENT DOMAIN. There is no existing or, to the knowledge of the SPE, proposed or threatened condemnation, eminent domain or similar proceeding, or private purchase in lieu of such a proceeding which would affect any of the Properties, except for such proceedings that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.12 EXISTING LOANS. Schedule 4.12 lists, as of the date hereof, all secured loans presently encumbering the Properties or any direct or indirect interest in the SPE, and any unsecured loans relating thereto to be assumed by the Operating Partnership or any Subsidiary of the Operating Partnership at Closing, as of the date hereof (the "Disclosed Loans").

Section 4.13 FRANCHISE AGREEMENTS. To the knowledge of the SPE, the hotel franchise agreement set forth on Schedule 4.13 ("Franchise Agreement") is the only hotel franchise agreement in effect for any Property. Except as set forth on Schedule 4.13, neither the SPE nor any of SPE Subsidiary, nor, to the knowledge of the SPE, any other party to the Franchise Agreement, is in breach or default of the Franchise Agreement, except for such breach or default that would not, individually or in the aggregate, reasonably be expected to have an SPE Merger Entity Material Adverse Effect.

Section 4.14 FINANCIAL STATEMENTS. The financial statements of the SPE included in the Prospectus have been prepared in all material respects in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), subject, in the case of unaudited statements, to normal year-end audit adjustments, and fairly present in all material respects the financial condition and results of operations of the SPE as of the dates indicated therein and for the periods ended as indicated therein.

Section 4.15 TAXES. Except as set forth in Schedule 4.15, (i) the SPE and each of the SPE Subsidiaries have timely and properly filed all Tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Authority having authority to do so) and all such returns and reports are accurate and complete in all material respects, and has paid (or had paid on its behalf) all Taxes as required to be paid by it, (ii) no income or material non-income Tax returns filed by the SPE or any SPE Subsidiaries are the subject of a pending or ongoing audit, and (iii) except as would not have an SPE Material Adverse Effect, no deficiencies for any Taxes have been proposed, asserted or assessed against the SPE or any of the SPE Subsidiaries, and no requests for waivers of the time to assess any such Taxes are pending. Except as set forth in Schedule 4.15, since its formation, for U.S. federal income tax purposes, the SPE has been treated as a partnership, or an entity disregarded from a partnership, and not as a corporation or an association taxable as a corporation, and each of the SPE Subsidiaries has been treated as a partnership or disregarded entity and not as a corporation or an association taxable as a corporation.

Section 4.16 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, to the knowledge of the SPE, there is no action, suit or proceeding pending or, to the knowledge of the SPE, threatened against or affecting the SPE or any SPE Subsidiary, or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation, which, if adversely determined, would not have an SPE Material Adverse Effect. There is no action, suit, or proceeding pending or, to the knowledge of the SPE, threatened against or affecting the SPE, any SPE Subsidiary or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing which challenges or impairs the ability of the SPE to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby. Except for matters covered by insurance, there is no judgment, decree, injunction, rule or order of a Governmental Authority outstanding against the SPE, any SPE Subsidiary or any officer, director, principal, managing member or general partner of any of the foregoing in their capacity as such which would reasonably be expected to have an SPE Material Adverse Effect.

Section 4.17 NO INSOLVENCY PROCEEDINGS. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to the SPE's knowledge, threatened against the SPE, nor are any such proceedings contemplated by the SPE.

Section 4.18 SECURITIES LAW MATTERS. The SPE acknowledges that: (i) the REIT and Operating Partnership intend the offer and issuance of any REIT Shares or OP Units to

any Pre-Formation Participants to be exempt from registration under the Securities Act and applicable state securities laws by virtue of the status of such equity holder as an "accredited investor" (within the meaning of Rule 501(a) of Regulation D under the Securities Act) acquiring any REIT Shares or OP Units in a transaction exempt from registration pursuant to Rule 506 of Regulation D under the Securities Act, and (ii) in issuing any REIT Shares or OP Units pursuant to the terms of this Agreement, the REIT and Operating Partnership are relying on the representations made by each equity holder electing to receive REIT Shares or OP Units as consideration in the Merger, which representations were set forth in Appendix D to the Request for Consent - Accredited Investor Representations Letter.

Section 4.19 NO BROKER. The SPE has not entered into, and it covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the Operating Partnership or any Affiliate to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 4.20 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article IV and any other agreement entered into in connection with the Formation Transactions to which it is a party, the SPE shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby.

Section 4.21 OWNERSHIP OF CERTAIN ASSETS. Except as set forth in Section 4.21, neither the SPE nor any SPE Subsidiary owns any loan assets or other securities of any issuer except for equity interests in other American Assets Entities.

Section 4.22 SURVIVAL OF REPRESENTATIONS AND WARRANTIES OF THE SPE. The parties hereto agree and acknowledge that the representations and warranties set forth in this Article IV (other than Section 4.01, Section 4.02, Section 4.03, Section 4.18 and Section 4.23) shall not survive the Closing.

Section 4.23 NON-FOREIGN STATUS. Neither the SPE nor any SPE Subsidiary is a foreign person (as defined in the Code).

ARTICLE V
COVENANTS AND OTHER AGREEMENTS

Section 5.01 PRE-CLOSING COVENANTS. During the period from the date hereof to the Closing Date (except as otherwise provided for or contemplated by this Agreement or in connection with the Formation Transactions), the SPE shall use commercially reasonable efforts to (and shall cause each of the SPE Subsidiaries to) conduct its businesses and operate and maintain the Properties in the ordinary course of business consistent with past practice, pay its debt obligations as they become due and payable, and use commercially reasonable efforts to preserve intact its current business organizations and preserve its relationships with customers, tenants, suppliers, advertisers and others having business dealings with it, in each case consistent with past practice. In addition, and without limiting the generality of the foregoing, during the

period from the date hereof to the Closing Date and except in connection with the Formation Transactions, the SPE shall not (and shall not permit any of the SPE Subsidiaries to) without the prior written consent of the Operating Partnership, which consent may be withheld by the Operating Partnership in its sole discretion:

(a) (i) other than distributions to the equity holders of the SPE in connection with such holders' payment of any Taxes related to their ownership of the equity of the SPE or as otherwise contemplated by this Agreement, declare, set aside or pay any dividends or distributions in respect of any of the SPE Equity Interests, except in the ordinary course of business consistent with past practice and in accordance with the SPE's applicable Organizational Documents, (ii) issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any SPE Equity Interests or make any other changes to the equity capital structure of the SPE or any SPE Subsidiary, or (iii) purchase, redeem or otherwise acquire any SPE Equity Interests or equity interests of any of the SPE Subsidiaries or any other securities thereof;

(b) issue, deliver, sell, transfer, dispose, mortgage, pledge, assign or otherwise encumber, or cause the issuance, delivery, sale, transfer, disposition, mortgage, pledge, assignment or otherwise encumbrance of, any limited liability company, partnership interests or other equity interests in the SPE or any of the SPE Subsidiaries or any other assets of the SPE or the SPE Subsidiaries;

(c) amend, modify or terminate any lease, contract or other instruments relating to the Property, except in the ordinary course of business consistent with past practice;

(d) amend its Organizational Documents;

(e) adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(f) materially alter the manner of keeping such SPE or SPE Subsidiary's books, accounts or records or the accounting practices therein reflected;

(g) file an entity classification election pursuant to Treasury Regulation Section 301.7701-3(c) on Internal Revenue Service Form 8832 (Entity Classification Election) to treat the SPE or any of its SPE Subsidiaries as an association taxable as a corporation for United States federal income tax purposes; make or change any other Tax elections; settle or compromise any claim, notice, audit report or assessment in respect of Taxes; change any annual Tax accounting period; adopt or change any method of Tax accounting; file any amended Tax return; enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any Tax; surrender of any right to claim a Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment;

(h) terminate or amend any existing insurance policies affecting any Property that results in a material reduction in insurance coverage for the Property;

(i) knowingly cause or permit the SPE to violate, or fail to use commercially reasonable efforts to cure any violation of, any applicable Laws; or

(j) authorize, commit or agree to take any of the foregoing actions.

Section 5.02 CONSENT AND WAIVER OF RIGHTS UNDER ORGANIZATIONAL DOCUMENTS. As of the Closing, the SPE waives and relinquishes all rights and benefits otherwise afforded to the SPE (a) under its Organizational Documents including, without limitation, any rights of appraisal, rights of first offer or first refusal, buy/sell agreements, put, option or similar parallel exit or dissenter rights in connection with the Formation Transactions and the IPO and any right to consent to or approve of the sale or contribution or other transaction undertaken by any equity holder of the SPE of their SPE Equity Interests to the Operating Partnership or any Affiliate thereof and any and all notice provisions related thereto and (b) for claims against the REIT or the Operating Partnership for breach by any of their respective present or former officers, directors, managing members, general partners or Affiliates of their fiduciary duties or similar obligations (including duties of disclosure) to any of their respective present or former shareholders, members, partners, equity interest holders or Affiliates. The SPE acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the Organizational Documents of the SPE or other agreements among one or more holders of such SPE Equity Interests or one or more of the equity holders of the SPE. With respect to the SPE and each Property in which an SPE Equity Interest of the SPE represents a direct or indirect interest, the SPE expressly gives all consents (and any consents necessary to authorize the proper parties in interest to give all consents) and waivers it is entitled to give that are necessary or desirable to facilitate the contribution or other Formation Transactions relating to the SPE or such Property. In addition, if the transactions contemplated hereby occur, this Agreement shall be deemed to be an amendment to the Organizational Documents of the SPE to the extent the terms herein conflict with the terms thereof, including without limitation, terms with respect to allocations, distributions and the like. In the event the transactions contemplated by this Agreement do not occur, nothing in this Agreement shall be deemed to be or construed as an amendment or modification of, or commitment of any kind to amend or modify, the Organizational Documents of the SPE, which shall remain in full force and effect without modification.

Section 5.03 EXCLUDED ASSETS. Prior to or, as specified on Schedule 5.03, as soon as possible following the Closing and after such amounts are reasonably determinable, the SPE shall distribute or cause to be distributed or paid out the assets identified on Schedule 5.03 (the "Excluded Assets").

ARTICLE VI
ADDITIONAL AGREEMENTS

Section 6.01 COMMERCIALLY REASONABLE EFFORTS BY THE OPERATING PARTNERSHIP AND THE SPE. Each of the Operating Partnership and the SPE shall use commercially reasonable efforts and cooperate with each other in (i) promptly determining whether any filings are required to be made or consents, approvals, waivers, permits or authorizations are required to be obtained (under any applicable Law or regulation or from any

Governmental Authority or third party) in connection with the transactions contemplated by this Agreement, and (ii) promptly making (or causing to be made) any such filings, in furnishing information required in connection therewith and in timely seeking to obtain any such consents, approvals, waivers, permits and authorizations.

Section 6.02 OBLIGATIONS OF MERGER SUB. Subject to the terms of this Agreement, the Operating Partnership shall take all reasonable action necessary to cause Merger Sub (i) to be formed prior to the Effective Time and become a party to this Agreement by executing a counterpart of this Agreement where indicated on the signature page hereof (the date of such execution, the "Joinder Date") and (ii) to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement. All representations, warranties, covenants, agreements, rights and obligations of Merger Sub herein shall become effective as to Merger Sub as of the Joinder Date.

Section 6.03 TAX MATTERS.

(a) The SPE and the SPE Subsidiaries shall timely file or cause to be timely filed when due all Tax returns required to be filed by or with respect to such Person on or prior to the Closing Date and shall pay or cause to be paid all Taxes shown due thereon. All such Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law.

(b) The Operating Partnership shall prepare or cause to be prepared and file or cause to be filed all income Tax returns of the SPE and any of the SPE Subsidiaries which are due after the Closing Date. All such income Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law. No later than ten (10) days prior to the due date (including extensions) for filing such income Tax returns, the Operating Partnership shall deliver such income Tax returns to American Assets, Inc. for its review and approval, which shall not be unreasonably withheld.

(c) The Operating Partnership shall prepare or cause to be prepared all other Tax returns of the SPE and any of its Subsidiaries.

(d) In accordance with Section 704(c) of the Code, the Operating Partnership shall adopt and use only the so-called "traditional method" described in Treasury Regulation Section 1.704-3(b) with respect to any properties transferred directly or indirectly by the SPE to the Operating Partnership as a result of the Formation Transactions, and therefore shall not make any curative or remedial allocations with respect to such properties.

Section 6.04 WITHHOLDING CERTIFICATE. Prior to Closing, the SPE shall deliver to the Operating Partnership such forms and certificates, duly executed and acknowledged, in form and substance reasonably satisfactory to the Operating Partnership (including any relevant forms or certificates provided to the SPE by the holder of SPE Equity Interests), certifying that the payment of consideration in the Merger is exempt from withholding under Section 1445 of the Code and any similar withholding rules under applicable state, local or foreign Tax Laws.

Section 6.05 TAX ADVICE. The Operating Partnership makes no representations or warranties to the SPE or any holder of SPE Equity Interests regarding the Tax treatment of the Merger or the other Formation Transactions, or with respect to any other Tax consequences to the SPE or any holder of SPE Equity Interests of this Agreement, the Merger or the other Formation Transactions. The SPE acknowledges that the SPE and the holders of SPE Equity Interests are relying solely on their own Tax advisors in connection with this Agreement, the Merger and the other Formation Transactions and agreements contemplated hereby.

Section 6.06 ALTERNATE TRANSACTION. In the event that the Operating Partnership determines that a structure change is necessary, advisable or desirable, the Operating Partnership may elect, in its sole and absolute discretion, to effect the Alternate Transaction, and in such case the SPE hereby agrees and consents to such election, without the need for the Operating Partnership to seek any further consent or action from the SPE, and agrees that the parties shall undertake the Alternate Transaction and shall, and it shall cause its equity holders and Subsidiaries to, enter into such agreements as shall be necessary to consummate the Alternate Transaction.

Section 6.07 EXCLUSION OF ENTITIES. The parties hereby agree that the Operating Partnership shall have the right, in its sole discretion, to exclude the SPE from the Merger after the date hereof until the Effective Time, provided that the Operating Partnership shall provide prior written notice to the SPE regarding such exclusion.

ARTICLE VII
CONDITIONS PRECEDENT

Section 7.01 CONDITION TO EACH PARTY'S OBLIGATIONS. The respective obligation of each party to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date is subject to the satisfaction or waiver on or prior to the Effective Time, of the following conditions:

(a) REGISTRATION STATEMENT. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings by the SEC seeking a stop order. This condition may not be waived by any party.

(b) NO INJUNCTION. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment, injunction, stay or other order (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of any of the transactions contemplated in this Agreement nor shall any of the same brought by a Governmental Authority of competent jurisdiction be pending or threatened that seeks the foregoing.

(c) OPERATING PARTNERSHIP AGREEMENT. The Operating Partnership Agreement, in substantially the form attached hereto as Exhibit C, shall have been executed and delivered by the partners of the Operating Partnership and shall be in full force and effect and, except as contemplated by Section 2.02 or the other Formation Transaction Documents, shall not have been amended or modified.

Section 7.02 CONDITIONS TO OBLIGATIONS OF THE SPE. The obligation of the SPE to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the SPE, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have an OP Material Adverse Effect, each of the representations and warranties of the Operating Partnership and Merger Sub contained in this Agreement shall be true and correct in all material respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE OPERATING PARTNERSHIP AND MERGER SUB. Except as would not have an OP Material Adverse Effect, each of the Operating Partnership and Merger Sub shall have performed all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) REGISTRATION RIGHTS AGREEMENT. The REIT shall have entered into the registration rights agreement substantially in the form attached as Exhibit D. This condition may not be waived by any party.

(d) TAX PROTECTION AGREEMENT. In the event that the SPE Equity Interests are held by any Pre-Formation Participant that (1) owns, directly or indirectly, an interest in any property specified in the Tax Protection Agreement or (2) has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the REIT and the Operating Partnership shall have entered into the Tax Protection Agreement substantially in the form attached as Exhibit A, where applicable.

Section 7.03 CONDITIONS TO OBLIGATION OF THE OPERATING PARTNERSHIP AND MERGER SUB. The obligations of the Operating Partnership and Merger Sub to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the Operating Partnership and Merger Sub, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have an SPE Material Adverse Effect, each of the representations and warranties of the SPE contained in this Agreement, as well as those of the Ernest Rady Trust U/D/T March 10, 1983, as amended (the "Rady Trust"), under the Representation, Warranty and Indemnity Agreement, shall be true and correct in all respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE SPE. The SPE shall have performed in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) IPO CLOSING. The closing of the IPO shall occur substantially concurrently with the Closing.

(d) CONSENTS, ETC. All necessary consents or approvals of Governmental Authorities or third parties (including lenders) for the SPE to consummate the transactions contemplated hereby shall have been obtained.

(e) NO MATERIAL ADVERSE CHANGE. There shall have not occurred between the date hereof and the Closing Date any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the SPE or the SPE Subsidiaries and the Properties, taken as a whole.

(f) REPRESENTATION, WARRANTY AND INDEMNITY AGREEMENT. The Rady Trust shall have entered into the Representation, Warranty and Indemnity Agreement.

(g) ESCROW AGREEMENT. The parties thereto shall have entered into the Escrow Agreement.

(h) LOCK-UP AGREEMENT. Each of the Pre-Formation Participants owning interests in the SPE shall have entered into the Lock-Up Agreement substantially in the form attached as Exhibit E.

(i) TAX PROTECTION AGREEMENT. In the event that (1) the SPE owns, directly or indirectly, an interest in any property specified in the Tax Protection Agreement or (2) the SPE Equity Interests are held by any Pre-Formation Participant that has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the holders of SPE Equity Interests shall have entered into the Tax Protection Agreement, substantially in the form attached as Exhibit A.

ARTICLE VIII
GENERAL PROVISIONS

Section 8.01 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (i) delivered personally, (ii) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (iii) one (1) Business Day after being sent by a nationally recognized overnight courier or (iv) transmitted by facsimile if confirmed within twenty-four (24) hours thereafter by a signed original sent in the manner provided in clause (i), (ii) or (iii) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party):

if to the Operating Partnership or Merger Sub to:

American Assets Trust, L.P.
11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

if to the SPE to:

11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

Section 8.02 DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings.

(a) "Accredited Investor" has the meaning set forth under Regulation D of the Securities Act.

(b) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(c) "Allocated Share" means the amount that would be allocated to a Pre-Formation Participant that is the holder of an interest in an American Assets Entity in accordance with the provisions of the existing Organizational Documents of such entity relating to distributions of distributable net proceeds from sales of directly or indirectly owned properties or assets, and assuming the sale of the relevant Target Asset or Target Assets that are directly or indirectly owned by such entity for a value equal to such Target Asset's or Target Assets' respective Equity Value(s).

Notwithstanding the foregoing, the Allocated Share of any Pre-Formation Participant shall reflect the following adjustments:

1. Intercompany Debt Adjustment. In calculating Allocated Share, all Intercompany Debt shall be taken into account so that the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligor of Intercompany Debt collectively are reduced, and the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligee of such Intercompany Debt collectively are increased, in each case by the amount of such Intercompany Debt (such adjustments being referred to as "Intercompany Debt Adjustments").

2. Entity Specific Debt Adjustment. To the extent that Entity Specific Debt is allocated to a Target Asset, in calculating Allocated Shares of holders of direct or indirect Pre-Formation Interests in the American Assets Entity or Entities owning such Target Asset, the amount of the decrease in Equity Value of such Target Asset attributable to the allocation of such Entity Specific Debt to such Target Asset (through the operation of the formula set forth on Schedule II) (in each case, such decrease being the "Decrease") shall be taken into account so that:

   a. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in any obligor(s) under such Entity Specific Debt collectively shall be (i) reduced by the amount equal to the excess of (w) the amount of the Entity Specific Debt owed by such obligor over (x) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset; or (ii) increased by the amount equal to the excess of (y) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset over (z) the amount of the Entity Specific Debt owed by such obligor; and

b. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in American Assets Entities owning such Target Asset that are not obligors under such Entity Specific Debt collectively shall be increased by the amount equal to the amount of the Decrease allocated pro rata to such holders as direct or indirect owner of the Target Asset;

with the net effect under the foregoing clauses (a)(i), (a)(ii) and (b) being that the adverse economic impact of the Decrease shall be borne equitably by the holders of direct or indirect Pre-Formation Interests in the actual obligor(s) under such Entity Specific Debt and not by any other holder of direct or indirect Pre-Formation Interests in the American Assets Entities owning such Target Asset.

Illustrative examples of the application of the foregoing Allocated Share adjustments using hypothetical numbers are included as Example 3 and Example 4 in ***Appendix A*** to Schedule II.

(d) "Alternate Transaction" means (i) a contribution of the assets held by the SPE to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, (ii) a contribution by each holder of direct or indirect equity interests in the SPE to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that would have otherwise been received by such holder of direct or indirect equity interests pursuant to this Agreement, (iii) the restructuring of the Merger as either (x) a merger of the SPE with and into either the REIT or the Operating Partnership or a wholly owned subsidiary of the REIT or (y) a merger of a wholly owned subsidiary of the REIT or the Operating Partnership with and into the SPE, in each case in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, or (iv) any other transaction pursuant to which the REIT, the Operating Partnership or any of their Subsidiaries acquire the assets held by the SPE or each holder of direct or indirect equity interests in such SPE in a transaction pursuant to which each holder of direct or indirect interests in such SPE receives the amount of cash, the number of OP Units and/or the number of REIT Shares that were to be received by such holder pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets acquired by the REIT, the Operating Partnership or any of their Subsidiaries pursuant to such Alternate Transaction).

(e) "American Assets Entity" means a Forward OP Merger Entity, Forward REIT Merger Entity, OP Sub Reverse Merger Entity, OP Sub Forward Merger Entity, REIT Sub Forward Merger Entity, or Contributed Entity, as applicable. As used herein, "American Assets Entities" refer to each American Assets Entity, collectively.

(f) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California.

(g) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(h) "Consent Form" means the forms provided to each holder of Pre-Formation Interests to consent to the Formation Transactions and to make such holder's irrevocable elections with respect to consideration to be received in the Formation Transactions.

(i) "Elected OP Unit Percentage" means, for the Merger Consideration to be received with respect to any SPE Equity Interest, the percentage of the Allocated Share represented by such SPE Equity Interest that the holder thereof has made a Valid Election to receive in the form of OP Units.

(j) "Elected REIT Shares Percentage" means, for the Merger Consideration to be received with respect to any SPE Equity Interest, the percentage of the Allocated Share represented by such SPE Equity Entity Interest that the holder thereof has made a Valid Election to receive in the form of REIT Shares.

(k) "Environmental Laws" means all federal, state and local Laws governing pollution or the protection of human health or the environment.

(l) "Equity Value" has the meaning set forth in Schedule II hereto.

(m) "Escrow Agreement" means the Indemnity Escrow Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(n) "Formation Transaction Documentation" means all of the agreements and plans of merger (including this Agreement) relating to all target entities and all contribution agreements and related documents and agreements, substantially in the forms accompanying the Request for Consent dated July 31, 2010 and identified in Exhibit B hereto, pursuant to which all of the American Assets Entities and/or the equity interests in the American Assets Entities held by the Pre-Formation Participants are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(o) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(p) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(q) "Intercompany Debt" means loans or advances among American Assets Entities and/or their Subsidiaries or among holders of Pre-Formation Interests on the one hand and American Assets Entities and/or their Subsidiaries on the other hand, other than those promissory notes set forth on ***Appendix D*** to Schedule II for which Del Monte Center is listed as the associated Target Asset, each of which loans or advances are set forth on Schedule III hereto. Intercompany Debt shall not be discharged pursuant to the Formation Transactions except to the extent any such Intercompany Debt merges out of existence by operation of law as a result of such transactions (e.g., if the Operating Partnership acquires both the obligor and obligee interest in a loan which reflects an Intercompany Debt). After the closing of the Formation Transactions, and except as provided below, to the extent any such loans are acquired by the REIT, Operating Partnership or their Subsidiaries (e.g., an obligor or obligee with respect to such loans is merged

with or into, or acquired by, one of such entities), the REIT, Operating Partnership or their Subsidiaries (as applicable) shall be permitted to take any actions (including repayment) with respect to such Intercompany Debt as they deem appropriate. Intercompany Debt with respect to which either the obligor or the obligee (but not both such parties) under such Intercompany Debt is acquired, directly or indirectly, by the REIT, Operating Partnership or their Subsidiaries, shall be deemed to be discharged immediately after the Formation Transactions by (i) the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligor, or (ii) the obligor to the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligee, in each case in exchange for the consideration payable as set forth in the applicable Formation Transaction Documentation. The amounts payable and receivable with respect to each item of Intercompany Debt shall be determined by the REIT, for purposes of determining the Intercompany Debt Adjustments, within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

(r) "IPO Closing Date" means the closing date of the IPO.

(s) "IPO Price" means the initial public offering price of a REIT Share in the IPO.

(t) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(u) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(v) "Lock-Up Agreement" means that certain Lock-Up Agreement, by and between the underwriters and each investor of the REIT and/or the Operating Partnership.

(w) "OP Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the Operating Partnership and each Operating Partnership Subsidiary, taken as a whole.

(x) "Operating Partnership Agreement" means the agreement of limited partnership of the Operating Partnership, as amended and restated and in effect immediately prior to the Effective Time.

(y) "Organizational Documents" means the certificate of formation, certificate of incorporation and bylaws, certificate of limited partnership and limited partnership agreement, limited liability company agreement or operating agreement of the SPE or any SPE Subsidiary, as applicable.

(z) "Permitted Liens" means (i) Liens, or deposits made to secure the release of such Liens, securing Taxes, the payment of which is not delinquent or the payment of which (including, without limitation, the amount or validity thereof) is being contested in good faith by appropriate proceedings for which adequate reserves have been made in accordance with GAAP;

(ii) zoning, entitlement, building and other land use Laws imposed by governmental agencies having jurisdiction over the Properties; (iii) covenants, conditions, restrictions, easements for public utilities, encroachments, rights of access or other non-monetary matters that do not materially impair the use of the Properties for the purposes for which they are currently being used or proposed to be used in connection with the relevant Person's business; (iv) Liens securing financing or credit arrangements existing as of the Closing Date; (v) Liens arising under leases in effect as of the Closing Date; (vi) any exceptions contained in any title policy (including any policy issued to a secured lender) relating to the Properties as of the Closing Date; (vii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business that are not yet due and payable and which are not, in the aggregate, material to the business, operations and financial condition of the Properties so encumbered; and (viii) any matters that would not have an SPE Material Adverse Effect.

(aa) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(bb) "Pre-Formation Interests" means the interests held by the Pre-Formation Participants in the American Assets Entities.

(cc) "Pre-Formation Participants" means the holders of the direct and indirect equity interests in the relevant American Assets Entities immediately prior to the Formation Transactions.

(dd) "Prospectus" means the REIT's final prospectus as filed with the SEC.

(ee) "Representation, Warranty and Indemnity Agreement" means the Representation, Warranty and Indemnity Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(ff) "Securities Act" means the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder.

(gg) "SPE Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the SPE and each SPE Subsidiary, taken as a whole.

(hh) "Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person owns (either directly or through or together with another Subsidiary of such Person) either (i) a general partner, managing member or other similar interest, or (ii)(A) ten percent (10%) or more of the voting power of the voting capital stock or other equity interests, or (B) ten percent (10%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity.

(ii) "Target Asset" has the meaning set forth in Schedule II hereto.

(jj) "Tax" means all federal, state, local and foreign income, gross receipts, license, property, withholding, sales, franchise, employment, payroll, goods and services, stamp,

environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

(kk) "Tax Protection Agreement" means that certain Tax Protection Agreement by and among the REIT, the Operating Partnership and the parties identified as a signatory on Schedule A thereto.

(ll) "Underwriting Agreement" means that certain underwriting agreement, by and between the REIT, the Operating Partnership and certain underwriters set forth therein, pursuant to which the REIT will issue and sell shares in the IPO.

(mm) "Valid Election" means, with respect to any SPE Equity Interest, an irrevocable election to receive all or a portion of its Allocated Share in the form of OP Units and/or REIT Shares as indicated on the properly completed and timely received Consent Form of the holder of such SPE Equity Interest or a Consent Form as to which any deficiencies have been waived by the REIT.

Section 8.03 COUNTERPARTS. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

Section 8.04 ENTIRE AGREEMENT; THIRD-PARTY BENEFICIARIES. This Agreement, the other Formation Transaction Documentation and the Consent Forms to which the parties hereto are a party, including, without limitation, the exhibits and schedules hereto and thereto, constitute the entire agreement and, except as set forth in Section 1.09, supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

Section 8.05 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, regardless of any Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 8.06 ASSIGNMENT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; *provided*, *however*, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that the Operating Partnership may assign its rights and obligations hereunder to an Affiliate.

Section 8.07 JURISDICTION. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the County of San Diego, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any

claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

Section 8.08 DISPUTE RESOLUTION. The parties intend that this Section 8.08 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to Section 8.08(c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this agreement to arbitrate) that is not resolved pursuant to Section 8.08(a) above shall be submitted to final and binding arbitration in California before one neutral and impartial arbitrator, in accordance with the Laws of the State of California for agreements made in and to be performed in that State. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. Each of the Operating Partnership and the SPE shall appoint one arbitrator within fifteen (15) days of a demand for arbitration. If the Operating Partnership and the SPE cannot mutually agree upon an arbitrator within such 15-day period, the arbitrator shall be appointed by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in

order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs, and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

Section 8.09 SEVERABILITY. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable law, but if any provision is held invalid, illegal or unenforceable under applicable law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

Section 8.10 RULES OF CONSTRUCTION.

(a) The parties hereto agree that they have had the opportunity to be represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Unless explicitly stated otherwise herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

Section 8.11 EQUITABLE REMEDIES. The parties agree that irreparable damage would occur to the Operating Partnership in the event that any of the provisions of this

Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Operating Partnership shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the SPE and to enforce specifically the terms and provisions hereof in any federal or state court located in California, this being in addition to any other remedy to which the Operating Partnership is entitled under this Agreement or otherwise at law or in equity.

Section 8.12 WAIVER OF SECTION 1542 PROTECTIONS. As of the Closing, the SPE expressly acknowledges that it has had, or has had and waived, the opportunity to be advised by independent legal counsel and hereby waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542 which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Section 8.13 TIME OF THE ESSENCE. Time is of the essence with respect to all obligations under this Agreement.

Section 8.14 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 8.15 NO PERSONAL LIABILITY CONFERRED. This Agreement shall not create or permit any personal liability or obligation on the part of any officer, director, partner, employee or shareholder of the Operating Partnership, Merger Sub or the SPE.

Section 8.16 AMENDMENTS. This Agreement may be amended by appropriate instrument, without the consent of the SPE, at any time prior to the Effective Time; *provided*, that no such amendment, modification or supplement shall be made that alters the amount or changes the form of the consideration to be delivered to the SPE, without the prior written consent of the SPE in the event that the SPE would be adversely affected by such proposed amendment, modification or supplement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its: General Partner

By: _____
Name: John W. Chamberlain
Title: President

[OP SUB FORWARD MERGER ENTITY]

By: _____
Name:
Title:

[Signature Page to OP Sub Forward Merger Agreement]

AGREED AND ACCEPTED as of

[_____], 2010,

[OP SUB FORWARD MERGER ENTITY MERGER SUB],
a Delaware limited liability company

By: AMERICAN ASSETS TRUST, L.P.
a Maryland Limited Partnership
Its Sole Member

By: _____
Name: _____
Title: _____

[Signature Page to OP Sub Forward Merger Agreement]

Schedule I

List of Forward OP Merger Entities:

1. Solana Beach Towne Centres Investments, L.P.
2. Pacific San Jose Holdings, L.P.
3. Pacific Sorrento Mesa Holdings, L.P.
4. Hillside 104, a California limited partnership
5. Hillside 276, a California limited partnership
6. Desert Hillside Holdings, LLC
7. BWH Holdings, LLC
8. Waikele Center Holdings, LP

List of Forward REIT Merger Entities:

1. Pacific Stonecrest Assets, Inc.
2. Pacific National City Assets, Inc.
3. Western Assets, Inc.
4. Pacific Towne Centre Assets, Inc.
5. Pacific Oceanside Assets, Inc.
6. Pacific San Jose Assets, Inc.
7. KMBC Assets, Inc.
8. Hero Retail, Inc.
9. Pacific Sorrento Valley Assets I, Inc.
10. Pacific Sorrento Mesa Assets, Inc.
11. Beach Walk Assets, Inc.
12. ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]
13. ICW Valencia, Inc.
14. Pacific Torrey Reserve Assets, Inc.
15. Landmark Assets, Inc.
16. Landmark One Market, Inc.
17. Pacific Novato Assets, Inc.
18. Waikele Center Assets, Inc.

List of OP Sub Forward Merger Entities:

1. Pacific Stonecrest Holdings, L.P.
2. Rancho Carmel Plaza, a California limited partnership
3. Pacific Oceanside Holdings, L.P.
4. Kearny Mesa Business Center, a California limited partnership
5. Del Monte Center Holdings, LP
6. Beach Walk Holdings, LP
7. ICW Plaza, L.P., a California limited partnership
8. ICW Valencia, L.P.
9. Desert Oceanside Holdings, LLC
10. San Diego Loma Palisades, L.P.

List of OP Sub Reverse Merger Entities:

1. Pacific Waikiki Holdings, L.P.
2. ABW Lewers LLC

3. King Street Holdings, LP
4. Loma Palisades, a California general partnership

List of REIT Sub Forward Merger Entities:

1. Pacific Del Mar Assets, Inc.
2. Pacific Carmel Mountain Assets, Inc.
3. Pacific Solana Beach Assets, Inc.
4. Pacific Waikiki Assets, Inc.
5. King Street Assets, Inc.
6. Pacific Sorrento Valley Assets II, Inc.
7. Pacific Santa Fe Assets, Inc.

List of Contributed Entities:

1. American Assets Trust Management, LLC
2. Winrad Vista Hacienda, a California general partnership
3. Vista Hacienda, a California limited partnership
4. Pacific American Assets Holdings, L.P., a California limited partnership
5. Carmel Country Plaza, L.P.
6. Pacific Carmel Mountain Holdings, L.P.
7. Pacific National City Holdings, L.P.
8. Pacific Solana Beach Holdings, L.P.
9. Pacific San Jose Holdings, L.P.
10. Winrad Kearny Mesa Business Center, a California general partnership
11. Pacific Sorrento Valley Holdings I, L.P.
12. Pacific Sorrento Mesa Holdings, L.P.
13. Beach Walk Holdings, LP
14. ICW Plaza, L.P., a California limited partnership
15. ICW Valencia, L.P.
16. Pacific Sorrento Valley Holdings II, L.P.
17. EBW Hotel LLC
18. Imperial Strand, a California limited partnership
19. Winrad Imperial Strand, a California general partnership
20. San Diego Loma Palisades, L.P.
21. Mariner’s Point, LLC
22. Pacific Santa Fe Holdings, L.P.

Schedule II

Calculation of Equity Value

For purposes of all Formation Transaction Documentation, "Equity Value" of any Target Asset directly or indirectly owned by the American Assets Entity subject to such agreement shall be calculated pursuant to the formula set forth below. Capitalized terms used in this Schedule II shall have the meanings set forth below and capitalized terms used herein without definition shall have the meanings assigned to such terms in the Agreement.

$$EV = EP \times [TFTV\text{-}TPA]+AA;$$

where:

EV = Equity Value;
EP = Equity Percentage;
TFTV= Total Formation Transaction Value;
TPA = Total Portfolio Adjustment; and
AA = Asset Adjustment;

provided, however, that if the resulting Equity Value for a Target Asset is a negative amount (a "Net Deficit"), then the REIT shall exercise one of the following options, as determined by the REIT in its sole and absolute discretion: (i) select the Target Asset as an Eliminated Asset or (ii) if one or more entities that are subject to the Formation Transaction Documentation that are the direct or indirect owners of such Target Asset would otherwise possess Excluded Assets the value of which in the aggregate would equal or exceed the amount of such Net Deficit, increase the Target Net Working Capital with respect to such entity or entities by the absolute value of such Net Deficit; and *provided further* that if the REIT shall have exercised option (ii) with respect to any Target Asset, the Equity Value with respect to such Target Asset shall be deemed to be equal to zero;

provided further, that if the Equity Value for ICW Valencia/Valencia Corporate Center as calculated above would result in the holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. having an amount of Allocated Shares, prior to the application of the Intercompany Debt Adjustments, that is less than the value of the Intercompany Debt owed by ICW Valencia, L.P. to ICW Plaza, L.P. (such shortfall being referred to as the "Intercompany Debt Shortfall"), then (i) Western Insurance Holdings, Inc. shall issue a promissory note with a term of three years to ICW Valencia, L.P. which shall be treated as an Asset Adjustment with respect to ICW Valencia/Valencia Corporate Center and such promissory note (the "WIH Note") shall have such face amount as shall be necessary to increase the Equity Value of ICW Valencia/Valencia Corporate Center such that the Allocated Shares of holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. shall increase by an amount, prior to the application of the Intercompany Debt Adjustments, equal to the Intercompany Debt Shortfall and (ii) the Equity Value for ICW Valencia/Valencia Corporate Center shall be recalculated to give effect to the Asset Adjustment attributable to the issuance of the WIH Note.

Attached as ***Appendix A*** to this Schedule II are illustrative calculations of Equity Value for a hypothetical portfolio of Target Assets.

"Actual Balance" shall mean: (i) with respect to each Existing Loan to be assumed in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such assumption and all assumption fees and any related expenses with respect to such Existing Loan; and (ii) with respect to each Existing Loan to be prepaid, repaid or refinanced in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such prepayment, repayment or refinancing and any related prepayment penalties and any related expenses; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Actual Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed. With respect to each Existing Loan to be assumed, prepaid, repaid or refinanced in connection with the Formation Transactions, the Actual Balance as of the Closing Date shall be determined by the REIT within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

"Asset Adjustment" shall mean with respect to each Target Asset and any Existing Loan relating to such Target Asset, an amount equal to the Base Balance minus the Actual Balance (expressed as a positive or negative number, as applicable) with respect to all Existing Loans relating to such Target Asset, and in the case of ICW Valencia/Valencia Corporate Center, the face value of the WIH Note shall be deemed to reduce the Actual Balance of the Existing Loan relating to ICW Valencia/Valencia Corporate Center.

"Base Balance" shall mean with respect to each Existing Loan, the principal amount of such Existing Loan set forth on ***Appendix C*** to this Schedule II; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Base Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Eliminated Asset" shall mean any Target Asset subject to the Formation Transaction Documentation that is excluded pursuant to the terms of the Formation Transaction Documentation from the Formation Transactions.

"Equity Percentage" shall mean with respect to each Target Asset, the percentage (expressed as a decimal) set forth opposite the name of such Target Asset on ***Appendix B*** to this Schedule II (which percentage is based on the Fairness Opinion of Duff & Phelps, LLC and represents such

Target Asset's percentage of the net asset values of the Target Assets (other than the Management Company) and the net equity value of the Management Company, taken as a whole); *provided*, *however*, that in the event a Target Asset is selected as or otherwise becomes for any reason an Eliminated Asset, then: (i) the Equity Percentage for each remaining Target Asset shall be recalculated as a fraction, the numerator of which is the original Equity Percentage for such remaining Target Asset and the denominator of which is (A) 100 minus (B) the original Equity Percentage of the Eliminated Asset; and (ii) the Equity Percentage of the Eliminated Asset shall be zero; and *provided*, *further*, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then, after giving effect to any Eliminated Assets pursuant to the preceding proviso, the Equity Percentage for such Target Asset and for each other remaining Target Asset subject directly or indirectly to the Formation Transaction Documentation shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Excluded Assets" has the meaning set forth in Section 5.03 to the Agreement.

"Existing Loan" shall mean (i) each mortgage or mezzanine loan secured by a Target Asset listed on ***Appendix C*** to this Schedule II and (ii) all unsecured indebtedness of an American Assets Entity or of an entity in which an American Assets Entity has a direct or indirect interest that will be assumed, prepaid, repaid or refinanced in connection with the IPO and that is set forth on ***Appendix D*** to this Schedule II (all indebtedness falling within the scope of this clause (ii) shall be referred to as "Entity Specific Debt"); for the avoidance of doubt, no Intercompany Debt shall constitute an Existing Loan (in order to avoid double counting, as Intercompany Debt is adjusted for through the definition of "Allocated Share"). Existing Entity Specific Debt will be deemed to relate to the Target Asset(s) and, if to multiple Target Assets, in the proportions set forth opposite the name of such Entity Specific Debt on ***Appendix D*** to this Schedule II, and all such Entity Specific Debt will be deemed to have a Base Balance of zero (because "Equity Percentage" as determined by Duff & Phelps, LLC was determined at the property level and did not take into account Entity Specific Debt, Entity Specific Debt is deemed to be zero in order to cause a readjustment of "Equity Value" of all Target Assets after taking into account such Entity Specific Debt).

"Target Asset" shall mean each property set forth on Appendix B to this Schedule II and the property management business of American Assets, Inc. (the "Management Company").

"Target Net Working Capital" has the meaning set forth in Schedule 5.03 to the Agreement.

"Total Portfolio Adjustment" shall mean the sum (which may be a positive or negative number) of all Asset Adjustments for every Target Asset, excluding Eliminated Assets.

"Total Formation Transaction Value" shall mean the aggregate dollar value of (i) the cash, (ii) the REIT Shares and (iii) the OP Units that are issued or issuable to all Pre-Formation Participants in the Formation Transactions as set forth in the Prospectus. Total Formation Transaction Value will be determined valuing REIT Shares and OP Units at a value per REIT Share or OP Unit equal to the IPO Price.

Appendix A to Schedule II

Worked Examples

The figures and calculations included in this ***Appendix A*** are for illustrative purposes only and are based on a hypothetical portfolio of properties. Neither the hypothetical Total Formation Transaction Value nor any of the other figures or calculations presented on ***Appendix A*** shall be binding on the REIT or the Operating Partnership, and should not be considered an indication of value of the American Assets Entities. The value of the American Assets Entities will ultimately be determined by the REIT in consultation with the underwriters of the IPO based on public investor demand and may be lower or higher than the hypothetical Total Formation Transaction Value shown on ***Appendix A***. In addition, the calculations in ***Appendix A*** assume that each of Target Assets in this hypothetical portfolio of properties will be wholly owned, directly or indirectly, by the REIT.

Example - Base Case

In the hypothetical examples shown below, the Target Assets that will be acquired by the REIT in the Formation Transactions consist of four shopping centers. The Total Formation Transaction Value, or "TFTV," for this entire portfolio of properties will be $400, absent the impact of certain potential adjustments described in the subsequent examples. Each Target Asset (i) is subject to a $25 mortgage, (ii) was determined by a third-party valuator to have a relative equity value equal to 25% of the entire portfolio and (iii) has two owners, each of whom has a 50% interest in the property.

Target Asset	Equity Percentage ("EP") (determined by 3rd party valuator)	Property Holding Companies & Ownership %
Shopping Center 1	25%	Company A (50%) Company B (50%)
Shopping Center 2	25%	Company C (50%) Company D (50%)
Shopping Center 3	25%	Company E (50%) Company F (50%)
Shopping Center 4	25%	Company G (50%) Company H (50%)
Total	100%	

Applying the Equity Value formula and assuming that there is no Entity Specific Debt and no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV –TPA] + AA
Shopping Center 1	100 = 25% x [400 - 0] + 0
Shopping Center 2	100 = 25% x [400 - 0] + 0
Shopping Center 3	100 = 25% x [400 - 0] + 0

Shopping Center 4	100 = 25% x [400 - 0] + 0
Total Equity Value	400

Example 2 – Mortgage Payoff

In this example, all of the facts described in the Base Case above are the same, except that prior to the completion of the Formation Transactions, the $25 mortgage on Shopping Center 1 is paid off such that at the time that Shopping Center 1 is acquired by the Operating Partnership it is not subject to any mortgage debt. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 1:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	25 = 25 – 0
Shopping Center 2	0 = 25 – 25
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	25

In addition, by virtue of the reduction in the outstanding mortgage debt that will be assumed by the Operating Partnership in connection with the Formation Transactions, the Total Formation Transaction Value will have increased by the $25 value of the mortgage repayment from $400 to $425.

Applying the Equity Value formula reflecting these new facts and assuming that there is no Entity Specific Debt, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	125 = 25% x [425 - 25] + 25
Shopping Center 2	100 = 25% x [425 - 25] + 0
Shopping Center 3	100 = 25% x [425 - 25] + 0
Shopping Center 4	100 = 25% x [425 - 25] + 0
Total Equity Value	425

Example 3 – Entity Specific Debt

In this example, all of the facts described in the Base Case above are the same, except that Company C is subject to $25 of Entity Specific Debt related to Shopping Center 2, which will be assumed by the Operating Partnership upon the completion of the Formation Transactions. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 2:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	0 = 25 – 25
Shopping Center 2	-25 = 25 – 50
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	-25

In addition, by virtue of the assumption by the Operating Partnership of this Entity Specific Debt in connection with the Formation Transactions, the Total Formation Transaction Value will have decreased by the $25 value of the Entity Specific Debt from $400 to $375.

Applying the Equity Value formula reflecting these new facts and assuming that there is no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [375 - (-25)] + 0
Shopping Center 2	75 = 25% x [375 - (-25)] + (-25)
Shopping Center 3	100 = 25% x [375 - (-25)] + 0
Shopping Center 4	100 = 25% x [375 - (-25)] + 0
Total Equity Value	375

Here, through the operation of the Equity Value formula, all $25 of Company C's Entity Specific Debt has been allocated to Shopping Center 2 and has not impacted the Equity Value of the other Target Assets. However, without further adjustment, Company C and Company D, each as a 50% owner of Shopping Center 2, are equally burdened by Company C's Entity Specific Debt as show below:

	Company C	Company D
Allocated Share (unadjusted) of Equity Value before Inclusion of Entity Specific Debt:	50 = 100 x 50%	50 = 100 x 50%
Allocated Share (unadjusted) of Equity Value after Inclusion of Entity Specific Debt:	37.5 = 75 x 50%	37.5 = 75 x 50%
Decrease in Allocated Share (unadjusted) of Equity Value due to Inclusion of Entity Specific Debt:	12.5 = 50 - 37.5	12.5 = 50 - 37.5

Accordingly, by virtue of the operation of the Equity Value formula, Company C has only been allocated half ($12.5 of $25.0) of the Company C Entity Specific Debt obligation that should be allocated to Company C, and Company D has been allocated the remaining $12.5.

In order to address this inequitable allocation of Company C Entity Specific Debt , the definition of “Allocated Share” provides for an adjustment to (i) reduce the amount that would otherwise be payable to Company C by the amount by which the Entity Specific Debt exceeds the amount of such obligation that was previously allocated to Company C and (ii) increase the amount payable to Company D by the amount of the Entity Specific Debt obligation that was previously allocated to Company D, with the following outcome:

	Company A	Company B
Allocated Share (adjusted):	25 = 37.5 - 12.5	50 = 37.5 + 12.5

As a result of this adjustment to the Allocated Shares of Company C and Company D, the economic impact of all of Company C’s Entity Specific Debt will be allocated to Company C.

Example 4 – Intercompany Debt

In this example, all of the facts described in the Base Case above are the same, except that between the owners of Shopping Center 3, Company E has an Intercompany Debt obligation in the amount of $25 to Company F.

Prior to the application of the adjustments contained in the definition of Allocated Share, the Allocated Shares of the Owners of Shopping Center 3 would be as follows:

	Company E	Company F
Allocated Share (unadjusted):	50 = 100 x 50%	50 = 100 x 50%

To account for Intercompany Debt, the definition of "Allocated Share" provides an adjustment to (i) reduce the Allocated Share that would otherwise be payable to Company E by an amount equal to its indebtedness to Company F and (ii) increase the Allocated Share that would otherwise be payable to Company F by an amount equal to Company E's indebtedness to Company F, with the following outcome:

	Company E	Company F
Allocated Share (adjusted):	25 = 100 x 50% - 25	75 = 100 x 50% + 25

As a result of this adjustment to the Allocated Shares of Company E and Company F, the Intercompany Debt obligations between these entities have now been resolved.

Appendix B to Schedule II

Equity Percentage for Each Target Asset

Target Asset	Equity Percentage
Alamo Quarry Market	10.1916%
Carmel Country Plaza	4.8359%
Carmel Mountain Plaza	7.1580%
South Bay Marketplace	0.3157%
Lomas Santa Fe Plaza	6.5271%
Rancho Carmel Plaza	0.4388%
Solana Beach Towne Centre	5.6143%
The Shops at Kalakaua	0.2883%
Del Monte Center	5.7928%
Waikele Center	9.0461%
Waikiki Beach Walk	
Waikiki Beach Walk Retail	0.6668%
Embassy Suites at Waikiki Beach Walk	6.3419%
ICW Valencia/Valencia Corporate Center	1.7184%
Torrey Reserve	
ICW Plaza	2.0728%
Torrey Reserve North Court I & II	4.1456%
Torrey Reserve South Court I & II	4.7826%
Torrey Daycare	0.2370%
Torrey VC I-III	1.2492%
Existing Common Area – Future Development Parcel	0.3981%
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	2.2375%
Solana Beach Corporate Centre – III & IV	0.3116%
Solana Beach Towne Centres Investments (Vacant Land)	0.0686%
160 King Street	2.4814%
The Landmark at One Market	5.5594%
Fireman’s Fund Headquarters	9.6718%
Imperial Beach Gardens	0.6589%
Loma Palisades	2.5884%
Mariner’s Point	0.2745%
Santa Fe Park RV Resort	0.3873%
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	0.1235%
Sorrento Pointe	0.2471%
Management Company (American Assets Trust Management, LLC)	3.5690%
Total	100.0000%

Appendix C to Schedule II

Base Balance of Existing Loans
(other than Entity Specific Debt)

Target Asset	Base Balance of Existing Loan
Alamo Quarry Market	$ 98,954,256
Carmel Country Plaza	$ 10,271,191
Carmel Mountain Plaza	$ 63,554,812
South Bay Marketplace	$ 23,000,000
Lomas Santa Fe Plaza	$ 19,850,458
Rancho Carmel Plaza	$ 8,103,021
Solana Beach Towne Centre	$ 40,000,000
The Shops at Kalakaua	$ 19,000,000
Del Monte Center	$ 82,300,000
Waikele Center	$ 140,700,000
Waikiki Beach Walk	
Waikiki Beach Walk Retail	$ 145,742,438
Embassy Suites at Waikiki Beach Walk	$ 53,000,000
ICW Valencia/Valencia Corporate Center	$ 23,581,507
Torrey Reserve	
ICW Plaza	$ 43,000,000
Torrey Reserve North Court I & II	$ 22,299,822
Torrey Reserve South Court I & II	$ 13,059,008
Torrey Daycare	$ 1,673,363
Torrey VC I-III	$ 7,500,000
Existing Common Area – Future Development Parcel	$ 0
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	$ 12,000,000
Solana Beach Corporate Centre – III & IV	$ 37,330,000
Solana Beach Towne Centres Investments (Vacant Land)	$ 0
160 King Street	$ 42,223,428
The Landmark at One Market	$ 133,000,000
Fireman’s Fund Headquarters	$ 176,542,099
Imperial Beach Gardens	$ 20,000,000
Loma Palisades	$ 73,744,000
Mariner’s Point	$ 7,700,000
Santa Fe Park RV Resort	$ 1,878,876
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	$ 0
Sorrento Pointe	$ 0
Management Company (American Assets Trust Management, LLC)	$ 0
Total	$ 1,320,008,279

Appendix D to Schedule II

Entity Specific Debt

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to DHM Trust	Del Monte Center	$ 117,273.17
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,231,368.26
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pauline M. Foster, Trustee of Non-Exempt Trust C under the Stanley and Pauline Foster Trust, dated July 31, 1981	Del Monte Center	$ 527,729.26
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 377,577.46
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to American Assets, Inc.	Del Monte Center	$ 357,464.50
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Nora Kaufman	Del Monte Center	$ 34,325.00
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Parma Family Trust	Del Monte Center	$ 36,886.08
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,288,289.73
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Arsobro, LP	Del Monte Center	$ 158,971.11
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Foster Del Monte, LLC	Del Monte Center	$ 238,540.95
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Gerald I. Solomon	Del Monte Center	$ 9,534.62
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Solomon Family Partnership	Del Monte Center	$ 23,828.31
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust 2	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 309,768.37

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to Arsobro, LP	Del Monte Center	$ 116,391.99
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to American Assets, Inc.	Del Monte Center	$ 74,233.18
Total	**Del Monte Center**	**$ 4,926,009.93**
Second Amended and Restated Promissory Note A Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Sorrento Mesa Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 6,498,716.00
Second Amended and Restated Promissory Note B Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Stonecrest Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 3,983,084.00
Total	**Waikele Center**	**$ 10,481,800.00**
Unsecured loan from ESW LLC to the Embassy Suites at Waikiki Beach Walk*	Embassy Suites at Waikiki Beach Walk	$ 14,874,102.00
Total	**Embassy Suites at Waikiki Beach Walk**	**$ 14,874,102.00**
Loan Agreement, dated as of June 29, 2010, between Bank of America, N.A. and Landmark One Market	The Landmark at One Market	$ 23,000,000.00
Total	**The Landmark at One Market**	**$ 23,000,000.00**
Unsecured loan from ICW Valencia, L.P. to certain holders of interests in ICW Plaza, L.P.	Valencia Corporate Center	$ 418,770.00
Total	**Valencia Corporate Center**	**$ 418,770.00**

Schedule III

Intercompany Indebtedness

Intercompany Debt	Balance Outstanding as of June 30, 2010
Unsecured loan from American Assets, Inc. to Pacific Oceanside Holdings, L.P.*	$ 3,099,218
Unsecured loan from American Assets, Inc. to Kearny Mesa Business Center, L.P.*	$ 854,229
Promissory Note issued December 31, 2004 by American Assets, Inc. to Del Monte Center Holdings, LP	$ 1,785,680
Unsecured loan from American Assets, Inc. to Del Monte San Jose Holdings, LLC*	$ 1,854,631
Unsecured loan from American Assets, Inc. to Beach Walk Holdings, L.P.*	$ 2,861,766
Promissory Note issued December 31, 2004 by American Assets, Inc. to Solana Beach Towne Centre Investments, L.P.	$ 2,102,154
Promissory Note issued January 31, 2007 by American Assets, Inc. to ICW Plaza, L.P.	$ 7,748,809
Promissory Note issued December 31, 2004 by American Assets, Inc. to Pacific Stonecrest Holdings, L.P.	$ 901,116
Promissory Note issued December 31, 2004 by American Assets, Inc. to Rancho Carmel Plaza, L.P.	$ 305,370
Unsecured loan from American Assets, Inc. to Pacific Stonecrest Assets, Inc.*	$ 75,093
Promissory Note issued December 31, 2009 by American Assets, Inc. to Imperial Strand, L.P.	$ 1,364,104
Promissory Note issued December 31, 2004 by American Assets, Inc. to Loma Palisades, G.P.	$ 1,021,324
Total	**$ 23,973,494**
Promissory Note issued December 31, 2009 by Ernest Rady Trust U/D/T March 10, 1983, as amended, to American Assets, Inc	$ 14,144,458
Promissory Note issued December 19, 2007 by Pacific American Assets Holdings, L.P., to American Assets, Inc	$ 28,934,000
Promissory Note issued December 31, 2004 by Winrad Kearny Mesa Business Center, G.P. to American Assets, Inc	$ 757,906
Total	**$ 43,836,364**
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 1,055,458.51

Intercompany Debt	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 514,693.48
Total	**$ 1,570,152**

* Loan not issued pursuant to a formal promissory note.

Schedule 3.01(b)

List of Operating Partnership Subsidiaries

Owner	Ownership Interest
American Assets Trust Services, Inc.	
American Assets Trust, L.P.	100%
Vista Hacienda LLC	
American Assets Trust, L.P.	100%
Pacific Stonecrest Holdings LLC	
American Assets Trust, L.P.	100%
Rancho Carmel Plaza LLC	
American Assets Trust, L.P.	100%
Pacific Waikiki Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Pacific Oceanside Holdings LLC	
American Assets Trust, L.P.	100%
Kearny Mesa Business Center LLC	
American Assets Trust, L.P.	100%
Del Monte Center Holdings LLC	
American Assets Trust, L.P.	100%
Beach Walk Holdings LLC	
American Assets Trust, L.P.	100%
ABW Lewers Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Plaza Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Valencia LLC	
American Assets Trust, L.P.	100%
King Street Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Waikiki Beach Walk Hotel Lessee (indirect Subsidiary)	
American Assets Trust Services, Inc.	100%
Imperial Strand LLC	
American Assets Trust, L.P.	100%
Loma Palisades Merger Sub LLC	
American Assets Trust, L.P.	100%
Loma Palisades GP LLC	
American Assets Trust, L.P.	100%

Schedule 4.01(b)

List of SPE Subsidiaries

PACIFIC STONECREST HOLDINGS, L.P.

Owner	Ownership Interest
Alamo Stonecrest Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **ALAMO QUARRY MARKET**	
Pacific Stonecrest Holdings, L.P.	100
Broadway 101 Stonecrest Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Stonecrest Holdings, L.P.	100
Broadway 225 Stonecrest Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Pacific Stonecrest Holdings, L.P.	100
Waikele 101 Stonecrest, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Broadway 101 Stonecrest Holdings, LLC	100
Waikele 225 Stonecrest, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **WAIKELE CENTER**	
Broadway 225 Stonecrest Holdings, LLC	100
BWH Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
Pacific Stonecrest Holdings, L.P. Pacific Sorrento Mesa Holdings, L.P.	38 62
EBW Hotel LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **EMBASSY SUITES AT WAIKIKI BEACH WALK**	
BWH Holdings, LLC	100

RANCHO CARMEL PLAZA, A CALIFORNIA LIMITED PARTNERSHIP

Owner	Ownership Interest
Rancho Carmel Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **RANCHO CARMEL PLAZA**	

PACIFIC OCEANSIDE HOLDINGS, L.P.

Owner	Ownership Interest
Del Monte – POH, LLC 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Pacific Oceanside Holdings, L.P.	100
Desert Oceanside Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Pacific Oceanside Holdings, L.P.	100
King Desert Oceanside, LLC (indirect Subsidiary) 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Desert Oceanside Holdings, LLC	100

KEARNY MESA BUSINESS CENTER, A CALIFORNIA LIMITED PARTNERSHIP

Owner	Ownership Interest
Del Monte – KMBC, LLC 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Kearny Mesa Business Center, a California limited partnership	100

DEL MONTE CENTER HOLDINGS, LP

Owner	Ownership Interest
Del Monte – DMCH, LLC 11455 El Camino Real, Suite 200, San Diego, CA **DEL MONTE CENTER**	
Del Monte Center Holdings, LP	100

BEACH WALK HOLDINGS, LP

Owner	Ownership Interest
ABW Lewers LLC 2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
Beach Walk Holdings, LP	100
ABW 2181 Holdings LLC (indirect Subsidiary)	

2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
ABW Lewers LLC	100
ABW Holdings LLC (indirect Subsidiary) 2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
ABW Lewers LLC	100

ICW PLAZA, L.P., A CALIFORNIA LIMITED PARTNERSHIP

Owner	Ownership Interest
ICW Plaza Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **ICW PLAZA**	
ICW Plaza, L.P., a California limited partnership	100

ICW VALENCIA, LP

Owner	Ownership Interest
ICW Valencia Holdings Assets, Inc. 11455 El Camino Real, Suite 200, San Diego, CA **ICW VALENCIA/VALENCIA CORPORATE CENTER**	
ICW Valencia, L.P.	100
ICW Valencia Holdings, LLC 11455 El Camino Real, Suite 200, San Diego, CA **ICW VALENCIA/VALENCIA CORPORATE CENTER**	
ICW Valencia Holdings Assets, Inc.	1
ICW Valencia, L.P.	99

DESERT OCEANSIDE HOLDINGS, LLC

Owner	Ownership Interest
King Desert Oceanside, LLC 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
Desert Oceanside Holdings, LLC	100

SAN DIEGO LOMA PALISADES, L.P.

Owner	Ownership Interest
Loma Palisades, a California general partnership 11455 El Camino Real, Suite 200, San Diego, CA **LOMA PALISADES**	
San Diego Loma Palisades, L.P.	75
Foster Palisades, LLC	25

Schedule 4.03

Capitalization

Owner	Percentage Ownership Interest
Pacific Stonecrest Holdings, L.P.	
Pacific Stonecrest Assets, Inc.	20
Ernest Rady Trust U/D/T March 10, 1983, as amended	24
Pacific American Assets Holdings, L.P., a California limited partnership	36
Non-Exempt Trust C Under the Stanley & Pauline Foster Trust	16
DHM Trust	4

Owner	Percentage Ownership Interest
Rancho Carmel Plaza, a California limited partnership	
Western Assets, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	93
Trust C of the W.E. & B.M. Chamberlain Trust	3
Stephen W. Prough	3

Owner	Percentage Ownership Interest
Pacific Oceanside Holdings, L.P.	
Pacific Oceanside Assets, Inc.	20
Ernest Rady Trust U/D/T March 10, 1983, as amended	24
Pacific American Assets Holdings, L.P., a California limited partnership	36
DHM Trust	4
Non-Exempt Trust C Under the Stanley & Pauline Foster Trust	16

Owner	Percentage Ownership Interest
Kearny Mesa Business Center, a California limited partnership	
KMBC Assets, Inc.	9.3625
American Assets, Inc.	0.9150
Parma Family Trust	4.5750
Winrad Kearny Mesa Business Center, a California general partnership	85.1475

Owner	Percentage Ownership Interest
Del Monte Center Holdings, LP	
Hero Retail, Inc.	0 [promote only]
Ernest Rady Trust U/D/T March 10, 1983, as amended	76.42
Arsobro, LP	9.43
Foster Del Monte, LLC	14.15

Owner	Percentage Ownership Interest
Beach Walk Holdings, LP	
Beach Walk Assets, Inc.	0 [promote only]
Pacific American Assets Holdings, L.P., a California limited partnership	76.94
Stanley E. and Pauline M. Foster Trust A UDT 07/31/81	2.43
Philip L. Elkus Trust UDT 09/09/74	2.43
Arsobro, LP	2.43
Parma Family Limited Partnership	12.13
Katzin Revocable Family Trust	2.43
Gaidebro Holdings, Inc., a Canadian corporation	0.48
John W. Chamberlain	0.73

Owner	Percentage Ownership Interest
ICW Plaza, L.P., a California limited partnership	
ICW Plaza, Inc. (d/b/a Delaware ICW Plaza, Inc.)	1
McAuliffe Family Trust	0.0435
Ernest Rady Trust U/D/T March 10, 1983, as amended	5.9612
Bruce N. Moore	0.2295
Pacific American Assets Holdings, L.P., a California limited partnership	88.4220
Nora Kaufman	2.2271
John L. Hannum	0.1586
John R. Borrego	0.0147
B. Deane Baughan & Joy Baughan, Trustees Baughan Family Trust	0.0147
Henry M. Freet	0.0420
The Banks Exemption Trust	0.0389
DHM Trust	0.8122
DHM Trust 2	0.6668

Bernard M. Feldman	0.0389
James W. and Nancy I. Austin Family Trust dated October 3, 1997	0.0447
Western Insurance Holdings, Inc.	0.2852

Owner	Percentage Ownership Interest
ICW Valencia, L.P.	
ICW Valencia, Inc.	1.1504
McAuliffe Family Trust	0.0421
Bruce N. Moore	0.2221
Ernest Rady Trust U/D/T March 10, 1983, as amended	18.2777
Pacific American Assets Holdings, L.P., a California limited partnership	64.2951
Bee-Dee Investments, Ltd.	4.3676
Gaidebro Holdings, Inc., a Canadian corporation	4.3676
Donald R. Rady Trust	1.7979
Harry M. Rady Trust	1.7979
Margo S. Rady Trust	1.7979
Hannum Family Trust	0.1568
Henry M. Freet	0.0451
The Banks Exemption Trust	0.0376
DHM Trust	0.7858
DHM Trust 2	0.6451
Bernard M. Feldman Trust	0.1249
James W. and Nancy I. Austin Family Trust dated October 3, 1997	0.0508
Charles/Gerry Scribner	0.0376

Owner	Percentage Ownership Interest
Desert Oceanside Holdings, LLC	
Pacific Oceanside Holdings, L.P.	100

Owner	Percentage Ownership Interest
San Diego Loma Palisades, L.P.	
American Assets, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	32.5
Nora Kaufman	2.5
Pacific American Assets Holdings, L.P., a California limited partnership	64

Schedule 4.08(a)

Title Insurance

PACIFIC STONECREST HOLDINGS LLC

Only the following Properties have an associated owner's policy of title insurance:

Property	Beneficiary
Alamo Quarry Market	Alamo Stonecrest Holdings, LLC Alamo Vista Holdings, LLC
Waikiki Beach Walk – Hotel	EBW Hotel LLC Waikele Venture Holdings, LLC Broadway 225 Sorrento Holdings, LLC Broadway 225 Stonecrest Holdings, LLC

RANCHO CARMEL PLAZA LLC

No Property has an associated owner's policy of title insurance.

PACIFIC OCEANSIDE HOLDINGS LLC

Only the following Properties have an associated owner's policy of title insurance:

Property	Beneficiary
Del Monte Center	Pacific Oceanside Holdings, LP Del Monte San Jose Holdings, LLC Kearny Mesa Business Center, a California limited partnership Del Monte Center Holdings, LP
160 King Street	King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC

KEARNY MESA BUSINESS CENTER

Only the following Property has an associated owner's policy of title insurance:

Property	Beneficiary
Del Monte Center	Pacific Oceanside Holdings, LP Del Monte San Jose Holdings, LLC Kearny Mesa Business Center, a California limited partnership Del Monte Center Holdings, LP

DEL MONTE CENTER HOLDINGS LLC

Only the following Property has an associated owner's policy of title insurance:

Property	Beneficiary
Del Monte Center	Pacific Oceanside Holdings, LP Del Monte San Jose Holdings, LLC Kearny Mesa Business Center, a California limited partnership Del Monte Center Holdings, LP

BEACH WALK HOLDINGS LLC

No Property has an associated owner's policy of title insurance.

ICW PLAZA MERGER SUB LLC

No Property has an associated owner's policy of title insurance.

ICW VALENCIA LLC

No Property has an associated owner's policy of title insurance.

PACIFIC OCEANSIDE HOLDINGS LLC

Only the following Property has an associated owner's policy of title insurance:

Property	Beneficiary
160 King Street	King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC

LOMA PALISADES GP LLC

No Property has an associated owner's policy of title insurance.

Schedule 4.12

Existing Loans

PACIFIC STONECREST HOLDINGS, L.P.

Property	Borrower / Loan Number	Lender or Servicer
Alamo Quarry Market	Alamo Vista Holdings, LLC (Note A-1) / 70-0201346 Alamo Vista Holdings, LLC (Note A-2) / 70-0201407 Alamo Stonecrest Holdings, LLC (Note A-1) / 70-0201408 Alamo Stonecrest Holdings, LLC (Note A-2) / 70-0201409	Wells Fargo Commercial Mortgage Services
Waikele Center	Borrowers Waikele Reserve West Holdings, LLC Waikele 101 Sorrento, LLC Waikele 225 Sorrento, LLC Waikele 101 Stonecrest, LLC Waikele 225 Stonecrest, LLC Loan Numbers 85-0201693, 51-0901990, 85-0201695, 51-0902277, 85-0201696, 51-0902278, 85-0201697, 51-0902279	Wells Fargo Commercial Mortgage Services
Waikiki Beach Walk – Hotel	Borrowers EBW Hotel LLC Waikele Venture Holdings, LLC Broadway 225 Sorrento Holdings, LLC Broadway 225 Stonecrest Holdings, LLC Loan Number 00050082287	Bank of Hawaii, First Hawaiian Bank, Central Pacific Bank & American Savings Bank

RANCHO CARMEL PLAZA, A CALIFORNIA LIMITED PARTNERSHIP

Property	Borrower / Loan Number	Lender or Servicer
Rancho Carmel Plaza	Rancho Carmel Holdings, LLC / 70-0400877	Wells Fargo Commercial Mortgage Services

PACIFIC OCEANSIDE HOLDINGS, L.P.

Property	Borrower / Loan Number	Lender or Servicer
Del Monte Center	Del Monte – DMSJH , LLC / 991074035 Del Monte – DMCH, LLC / 991074036 Del Monte – KMBC, LLC / 991074037 Del Monte – POH, LLC / 991073858	Berkadia Commercial Mortgage
160 King Street	Borrowers King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC Loan Number 330063200	Cohen Financial

KEARNY MESA BUSINESS CENTER, A CALIFORNIA LIMITED PARTNERSHIP

Property	Borrower / Loan Number	Lender or Servicer
Del Monte Center	Del Monte – DMSJH , LLC / 991074035 Del Monte – DMCH, LLC / 991074036 Del Monte – KMBC, LLC / 991074037 Del Monte – POH, LLC / 991073858	Berkadia Commercial Mortgage

DEL MONTE CENTER HOLDINGS, LP

Property	Borrower / Loan Number	Lender or Servicer
Del Monte Center	Del Monte – DMSJH , LLC / 991074035 Del Monte – DMCH, LLC / 991074036 Del Monte – KMBC, LLC / 991074037 Del Monte – POH, LLC / 991073858	Berkadia Commercial Mortgage

BEACH WALK HOLDINGS, LP

Property	Borrower / Loan Number	Lender or Servicer
Waikiki Beach Walk Retail	ABW 2181 Holdings LLC / 790500043001	American Savings Bank
Waikiki Beach Walk Retail	ABW Holdings LLC / 01-0034848	Column Financial, Inc. (lender) KeyBank Real Estate Capital (servicer)

ICW PLAZA, L.P., A CALIFORNIA LIMITED PARTNERSHIP

Property	Borrower / Loan Number	Lender or Servicer
ICW Plaza	ICW Plaza Holdings, LLC / 70-0401614	Wells Fargo Commercial Mortgage Services

ICW VALENCIA, L.P.

Property	Borrower / Loan Number	Lender or Servicer
ICW Valencia/Valencia Corporate Center	ICW Valencia Holdings, LLC / 85-02000898	Wells Fargo Commercial Mortgage Services
ICW Valencia (building 3 construction loan)	ICW Valencia, LP / 2526768952	Wells Fargo

DESERT OCEANSIDE HOLDINGS, LLC

Property	Borrower / Loan Number	Lender or Servicer
160 King Street	Borrowers King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC Loan Number 330063200	Cohen Financial

SAN DIEGO LOMA PALISADES, L.P.

Property	Borrower / Loan Number	Lender or Servicer
Loma Palisades	Loma Palisades, a CA general partnership / 487794745	Wells Fargo Multifamily Capital

Schedule 4.13

Franchise Agreement

PACIFIC STONECREST HOLDINGS, L.P.

1. Franchise License Agreement by and between Promus Hotels, Inc. and Outrigger Hotels Hawaii dated as of January 25, 2005

ALL OTHERS:

None.

Schedule 4.15

Taxes

ICW Valencia, L.P.

1. For U.S. federal income tax purposes, ICW Valencia Holdings Assets, Inc., a Subsidiary of ICW Valencia, L.P., has been treated as a corporation.

All Others:

None.

Schedule 4.21

Ownership of Certain Assets

Pacific Stonecrest Holdings, L.P.
Alamo Stonecrest Holdings, LLC
Broadway 101 Stonecrest Holdings, LLC
Broadway 225 Stonecrest Holdings, LLC
Waikele 101 Stonecrest, LLC
Waikele 225 Stonecrest, LLC

Rancho Carmel Plaza, a California limited partnership
Rancho Carmel Holdings, LLC

Pacific Oceanside Holdings, L.P.
Del Monte–POH, LLC
King Desert Oceanside, LLC

Kearny Mesa Business Center, a California limited partnership
Del Monte–KMBC, LLC

Del Monte Center Holdings, LP
Del Monte–DMCH, LLC

Beach Walk Holdings, LP
ABW 2181 Holdings LLC
ABW Holdings LLC

ICW Plaza, L.P., a California limited partnership
ICW Plaza Holdings, LLC

ICW Valencia, L.P.
ICW Valencia Holdings Assets, Inc.

ICW Valencia Holdings, LLC

Desert Oceanside Holdings, LLC
King Desert Oceanside, LLC

San Diego Loma Palisades, L.P.

None.

Schedule 5.03

Excluded Assets

Excluded Assets consist of any excess of Net Working Capital over Target Net Working Capital. "Net Working Capital" means current assets minus current liabilities of the relevant entity as of a date within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow. Any Excluded Assets consisting of any excess of Net Working Capital of Target Working Capital shall be distributed or paid to Pre-Formation Participants promptly after consummation of the IPO after determination by the REIT. The REITs determination of such amount shall be final and binding on all Pre-Formation Participants.

"Target Net Working Capital" means zero with respect to all entities, other than ABW Lewers, LLC; EBW Hotel, LLC; Broadway 225 Sorrento Holdings, LLC; Broadway 225 Stonecrest Holdings, LLC; and Waikele Venture Holdings, LLC, for which Target Net Working Capital will be $5,000,000, $2,050,000, $766,500, $470,000 and $1,713,500, respectively; *provided*, *however* that if the REIT adjusts Target Net Working Capital pursuant to the proviso in the first paragraph of Schedule II, Target Net Working Capital shall be such adjusted amount.

EXHIBITS

Exhibit A:	**Form of Tax Protection Agreement**
Exhibit B:	**Formation Transaction Documentation**
Exhibit C:	**Operating Partnership Agreement**
Exhibit D:	**Form of Registration Rights Agreement**
Exhibit E:	**Lock-Up Agreement**
Exhibit F:	**Order of Mergers**

Exhibit A

Form of Tax Protection Agreement

TAX PROTECTION AGREEMENT

This TAX PROTECTION AGREEMENT (this "Agreement") is entered into as of [_____, 2010], by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), each Protected Partner identified as a signatory on Schedule I, as amended from time to time, each Guaranty Partner identified as a signatory on Schedule II, as amended from time to time, and each Non-Qualified Liability Partner identified as a signatory on Schedule III, as amended from time to time.

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities, as set forth in the Formation Transaction Documentation.

WHEREAS, the Formation Transactions relate to the proposed initial public offering of the common stock of the REIT, par value $.01 per share, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code (as defined below); and

WHEREAS, as a condition to engaging in the Formation Transactions, and as an inducement to do so, the parties hereto are entering into this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINED TERMS

For purposes of this Agreement the following terms shall apply:

Section 1.1 "50% Termination" has the meaning set forth in Section 1.40.

Section 1.2 "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Section 1.3 "Agreement" has the meaning set forth in the preamble.

Section 1.4 "Approved Liability" means either:

(a) A liability of the Operating Partnership (or of an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes) with respect to which all of the following requirements are satisfied:

(i) the liability is secured by real property or other assets (the "Collateral") owned directly or indirectly by the Operating Partnership (or by an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes);

(ii) on the date on which the Operating Partnership designated such liability as a Approved Liability, the fair market value (as reasonably determined in good faith by the Operating Partnership) of the Collateral was at least 140% times the outstanding principal amount (and any accrued and unpaid interest) of the liability and any other Approved Liabilities secured by such Collateral at such time, *provided* that if interest on such liability is not required to be paid at least annually or if the documents evidencing such liability permit the borrower to borrow additional amounts that are secured by the Collateral, the outstanding principal amount of such liability shall include the maximum amount that could be so added to the principal amount of such liability without a default, *provided*, *however*, if notwithstanding the Operating Partnership's commercially reasonable efforts, it is unable to make available the Guarantee Opportunities required by this Agreement, 130% shall be substituted for 140% as set forth above;

(iii) the liability constitutes "qualified nonrecourse financing" as defined in Section 465(b)(6) of the Code with respect to the Protected Partners;

(iv) other than guaranties by the Guaranty Partners, no other person has executed any guaranties with respect to such liability; and

(v) the Collateral does not provide security for another liability (other than another Approved Liability) that ranks senior to, or *pari passu* with, the liability described in clause (i) above.

For purposes of determining whether clause (ii) has been satisfied in situations where one or more potential Approved Liabilities are secured by more than one item of Collateral, the Operating Partnership shall allocate such liabilities among such items of Collateral in proportion to their relative fair market values (as reasonably determined in good faith by the Operating Partnership);

(b) A liability of the Operating Partnership that

(i) is not secured by any of the assets of the Operating Partnership and is a general, recourse obligation of the Operating Partnership, and

(ii) is not provided by a lender that has an interest in the Operating Partnership or is related to the Operating Partnership within the meaning of Section 465(b)(3)(C) or the Code;

(c) Solely with respect to the Non-Qualified Liability Amount for each Non-Qualified Liability Partner, the applicable Non-Qualified Liabilities; or

(d) Any other indebtedness approved by the Partners' Representative (or his successor or designee) in his sole and absolute discretion.

Section 1.5 "Closing Date" has the meaning assigned to it in the applicable Pre-Formation Transaction Documentation.

Section 1.6 "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.7 "Collateral" has the meaning set forth in the definition of "Approved Liability."

Section 1.8 "Debt Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.9 "Debt Notification Event" means, with respect to an Approved Liability, any transaction in which such liability shall be refinanced, otherwise repaid (excluding for this purpose, scheduled payments of principal occurring prior to the maturity date of such liability), or guarantied by any of the REIT, the Operating Partnership, or one or more of their Affiliates, or guarantied by one or more partners of the Operating Partnership.

Section 1.10 "Exchange" has the meaning set forth in Section 2.1(b).

Section 1.11 "Formation Transaction Documentation" means all of the agreements and plans of merger and contribution agreements, substantially in the forms accompanying the Request for Consent and Private Placement Memorandum dated July [__], 2010, pursuant to which all or a portion of the equity interests in certain specified entities are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

Section 1.12 "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

Section 1.13 "Fundamental Transaction" means a merger, consolidation or other combination of the Operating Partnership with or into any other entity, a transfer of all or substantially all of the assets of the Operating Partnership, any reclassification, recapitalization or change of the outstanding equity interests of the Operating Partnership, or a conversion of the Operating Partnership into another form of entity.

Section 1.14 "Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.15 "Guarantied Liability" means any Approved Liability or Non-Qualified Liability that is guarantied, in whole or in part, by one or more Guaranty Partners or Non-Qualified Liability Partner, as applicable, in accordance with this Agreement.

Section 1.16 "Guaranty Partner" means: (i) each signatory on Schedule II attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Guaranty Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units; and (iii) with respect to a Guaranty Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.4 with respect to such Guaranty Partner, any person who (y) holds an interest in such Guaranty Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Guaranty Partner in its own gross income.

Section 1.17 "Guaranty Permissible Liability" means a liability with respect to which the lender permits a guaranty.

Section 1.18 "Guaranty Opportunity" has the meaning set forth in Section 2.4(b).

Section 1.19 "Make Whole Amount" means: (a) with respect to any Protected Partner that recognizes gain under Section 704(c) of the Code as a result of a Tax Protection Period Transfer, *the sum of* (i) *the product of* (x) the income and gain recognized by such Protected Partner under Section 704(c) of the Code in respect of such Tax Protection Period Transfer (taking into account any adjustments under Section 743 of the Code to which such Protected Partner is entitled) *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Protected Partner as a result of the receipt by a Protected Partner of a payment under Section 2.2 (the "Gross Up Amount"); *provided*, *however*, that the Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Protected Partner might have that would reduce its actual tax liability; and (b) with respect to any Guaranty Partner or Non-Qualified Liability Partner that recognizes gain as a result of a breach by the Operating Partnership of the provisions of Section 2.4 or Section 2.5 hereof, *the sum of* (i) *the product of* (x) the income and gain recognized by such Guaranty Partner or Non-Qualified Liability Partner by reason of such breach, *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Guaranty Partner or Non-Qualified Liability Partner as a result of the receipt by a Guaranty Partner or Non-Qualified Liability Partner of a payment under Section 2.4 or Section 2.5 (the "Debt Gross Up Amount"); *provided*, *however*, that the Debt Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Guaranty Partner or Non-Qualified Liability Partner might have that would reduce its actual tax liability. For purposes of calculating the amount of Section 704(c) gain that is allocated to a Protected Partner, (i) subject to clause (ii) below, any "reverse Section 704(c) gain" allocated to such partner pursuant to Treasury Regulations § 1.704-3(a)(6) shall not be taken into account, and (ii) if, as a result of adjustments to the Gross Asset Value (as defined in the OP Agreement) of the Protected Properties pursuant to clause (b) of the definition of Gross Asset Value as set forth in the OP Agreement, all or a portion of the gain recognized by the Operating Partnership that would have been Section 704(c) gain without regard to such adjustments becomes or is treated as "reverse Section 704(c) gain" or Section 704(b) gain under Section 704 of the Code, then such gain shall continue to be treated as Section 704(c) gain;

provided that the total amount of 704(c) gain and income taken into account for purpose of calculating the Make Whole Amount shall not exceed the initial Section 704(c) gain amount as of the Closing Date (whether or not equal to the estimated amount set forth on Exhibit B).

Section 1.20 "Make Whole Tax Rate" means, with respect to a Protected Partner who is entitled to receive a payment under Section 2.2 and with respect to a Guaranty Partner or Non-Qualified Liability Partner who is entitled to receive payment under Section 2.4 or Section 2.5, the highest combined statutory Federal, state and local tax rate in respect of the income or gain that gave rise to such payment, taking into account the character of the income and gain in the hands of such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable (reduced, in the case of Federal taxes, by the deduction allowed for income taxes paid to a state or locality), for the taxable year in which the event that gave rise to such payment under Section 2.2, Section 2.4 or Section 2.5 occurred. Notwithstanding the foregoing, if a Protected Partner, Guaranty Partner or Non-Qualified Liability Partner demonstrates to the reasonable satisfaction of the Operating Partnership that such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable, is not entitled to a Federal income tax deduction for all or a portion of the income taxes paid to a state or locality, the Make Whole Tax Rate applicable to such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner shall be reduced only by the deduction, if any, the Protected Partner, Guaranty Partner or Non-Qualified Liability Partner is entitled to take for such taxes.

Section 1.21 "Non-Qualified Liability" means each of the liabilities set forth on Exhibit D.

Section 1.22 "Non-Qualified Liability Amount" means the amount shown in the column labeled "Non-Qualified Liability Amount" for each Non-Qualified Liability listed below each Non-Qualified Liability Partner's name in Exhibit E.

Section 1.23 "Non-Qualified Liability Period" means the period commencing on the Closing Date and ending on the second anniversary of the Closing Date.

Section 1.24 "Non-Qualified Liability Partner" means: (i) each signatory on Schedule III attached hereto, as amended from time to time; and (ii) any person who holds OP Units and who acquired such OP Units from another Non-Qualified Liability Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units.

Section 1.25 "OP Agreement" means the Agreement of Limited Partnership of American Assets Trust, L.P., as amended from time to time.

Section 1.26 "OP Units" means common units of partnership interest in the Operating Partnership.

Section 1.27 "Operating Partnership" has the meaning set forth in the preamble.

Section 1.28 "Partners' Representative" means Ernest Rady and his executors, administrators or permitted assigns.

Section 1.29 "Pass Through Entity"means a partnership, grantor trust, or S corporation for Federal income tax purposes.

Section 1.30 "Permitted Disposition" means a sale, exchange or other disposition of OP Units (i) by a Protected Partner or Guaranty Partner: (a) to such Protected Partner's or Guaranty Partner's children, spouse or issue; (b) to a trust for such Protected Partner or Guaranty Partner or such Protected Partner's or Guaranty Partner's children, spouse or issue; (c) in the case of a trust which is a Protected Partner or Guaranty Partner, to its beneficiaries, or any of them, whether current or remainder beneficiaries; (d) to a revocable *inter vivos* trust of which such Protected Partner or Guaranty Partner is a trustee; (e) in the case of any partnership or limited liability company which is a Protected Partner or Guaranty Partner, to its partners or members; and/or (f) in the case of any corporation which is a Protected Partner or Guaranty Partner, to its shareholders, and (ii) by a party described in clauses (a), (b), (c) or (d) to a partnership, limited liability company or corporation of which the only partners, members or shareholders, as applicable, are parties described in clauses (a), (b), (c) or (d); *provided*, that for purposes of the definition of Tax Protection Period, such Protected Partner or Guaranty Partner shall be treated as continuing to own any OP Units which were subject to a Permitted Disposition unless and until there has been a sale, exchange or other disposition of such OP Units by a permitted transferee which is not another Permitted Disposition.

Section 1.31 "Person" means an individual or a corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

Section 1.32 "Protected Partner" means: (i) each signatory on Schedule I attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Protected Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Protected Partner in such OP Units; and (iii) with respect to a Protected Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.2 with respect to such Protected Partner, any person who (y) holds an interest in such Protected Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Protected Partner in its own gross income.

Section 1.33 "Protected Property" means each property identified on Exhibit A hereto and each property acquired in Exchange for a Protected Property as set forth in Section 2.1(b).

Section 1.34 "Representation, Warranty and Indemnity Agreement" means that certain Representation, Warranty and Indemnity Agreement, made and entered into as of [ ], 2010, by and amount the REIT, the Operating Partnership and Ernest Rady Trust U/D/T March 10, 1983, as amended.

Section 1.35 "Required Liability Amount" means, with respect to each Guaranty Partner, 110% of such Guaranty Partner's estimated "negative tax capital account" as of the Closing Date, a current estimate of which is set forth on Exhibit C hereto for each such Guaranty Partner.

Section 1.36 "REIT" has the meaning set forth in the preamble.

Section 1.38 "Section 2.4 Notice" has the meaning set forth in Section 2.4(c).

Section 1.39 "Section 2.5 Notice" has the meaning set forth in Section 2.5(c).

Section 1.40 "Tax Protection Period" means the period commencing on the Closing Date and ending on the seventh (7th) anniversary of the Closing Date; *provided*, *however*, that such period shall end with respect to any Protected Partner or Guaranty Partner to the extent that such Partner owns less than fifty percent (50%) of the OP Units originally received by the Protected Partner or Guaranty Partner in the Formation Transactions, disregarding the sale, exchange or other disposition of any such OP Units sold, exchanged or otherwise disposed of by the Protected Partner or Guaranty Partner in a Permitted Disposition (such an event, a "50% Termination"); *provided further, however*, that notwithstanding the forgoing, the Tax Protection Period will terminate for all Protected Partners and Guaranty Partners upon the later of the death of Ernest Rady and the death of his wife.

Section 1.41 "Tax Protection Period Transfer" has the meaning set forth in Section 2.1(a).

Section 1.42 "Transfer" means any direct or indirect sale, exchange, transfer or other disposition, whether voluntary or involuntary.

Section 1.43 "Treasury Regulations" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II

TAX PROTECTIONS

Section 2.1 Taxable Transfers.

(a) Unless the Partners' Representative expressly consents in writing to a Tax Protection Period Transfer (for the avoidance of doubt, no vote in favor of a Tax Protection Period Transfer by the Partners' Representative or any of its Affiliates or by a Protected Partner, in each case in its capacity as owner shares of the REIT or OP Units, shall constitute consent), during the Tax Protection Period, the Operating Partnership shall indemnify the Protected Partners as set forth in Section 2.2 if the Operating Partnership or any entity in which the Operating Partnership holds a direct or indirect interest shall cause or permit (i) any Transfer of all or any portion of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property) in a transaction that would result in the recognition of taxable income or gain by any Protected Partner under Section 704(c) of the Code, or (ii) any Fundamental Transaction that would result in the recognition of taxable income or gain to any Protected Partner (a Fundamental Transaction and a Transfer, collectively a "Tax Protection Period Transfer").

(b) Section 2.1(a) shall not apply to any Tax Protection Period Transfer of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property): (i) in a transaction in which no gain is required to be recognized by a Protected Partner (an "Exchange"), including a transaction qualifying under Section 1031 or Section 721 (or any successor statutes) of the Code; *provided*, *however*, that any property acquired by the Operating Partnership in the Exchange shall remain subject to the provisions of this Article II in place of the exchanged Protected Property for the remainder of the Tax Protection Period; (ii) as a result of the condemnation or other taking of any Protected Property by a governmental entity in an eminent domain proceeding or otherwise, provided that the Operating Partnership shall use commercially reasonable efforts to structure such disposition as either a tax-free like-kind exchange under Section 1031 or a tax-free reinvestment of proceeds under Section 1033, provided that in no event shall the Operating Partnership be obligated to acquire or invest in any property that it otherwise would not have acquired or invested in.

(c) For any taxable Transfer of all or any portion of any property of the Operating Partnership which is not a Tax Protection Period Transfer, the Operating Partnership shall use commercially reasonable efforts to cooperate with the Limited Partners to minimize any taxes payable by the Limited Partners in connection with any such Transfers.

Section 2.2 Indemnification for Taxable Transfers.

(a) In the event of a Tax Protection Period Transfer described in Section 2.1(a), each Protected Partner shall, within 30 days after the closing of such Tax Protection Period Transfer, receive from the Operating Partnership an amount of cash equal to the estimated Make Whole Amount applicable to such Tax Protection Period Transfer. If it is later determined that the true Make Whole Amount applicable to a Protected Partner exceeds the estimated Make Whole Amount applicable to such Protected Partner, then the Operating Partnership shall pay such excess to such Protected Partner within 90 days after the closing of the Tax Protection Period Transfer, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Protected Partner shall promptly refund such excess to the Operating Partnership, but only to the extent such excess was actually received by such Protected Partner.

(b) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Protected Partner under Section 2.1(a) shall be a claim against the Operating Partnership for the Make Whole Amount as set forth in this Section 2.2, and no Protected Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.1(a) or bring a claim against any person that acquires a Protected Property from the Operating Partnership in violation of Section 2.1(a).

Section 2.3 Section 704(c) Gains. A good faith estimate of the initial amount of Section 704(c) gain allocable to each Protected Partner as of the Closing Date of each OP Merger is set forth on Exhibit B hereto. The parties acknowledge that the initial amount of such Section 704(c) gain may be adjusted over time as required by Section 704(c) of the Code and the Regulations promulgated thereunder.

Section 2.4 Approved Liability Maintenance and Allocation.

(a) During the Tax Protection Period, the Operating Partnership shall: (1) maintain on a continuous basis an amount of Approved Liabilities at least equal to the Required Liability Amount; and (2) provide the Partners' Representative, promptly upon request, with a description of the nature and amount of any Approved Liabilities that are available to be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall not be required to maintain any amount of Approved Liabilities in excess of the aggregate Required Liability Amount of all Guaranty Partners.

(b) (i) During the Tax Protection Period, the Operating Partnership shall provide each Guaranty Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of one or more Approved Liabilities that are Guaranty Permissible Liabilities in an amount up to such Guaranty Partner's Required Liability Amount (each such opportunity and each opportunity required by Section 2.4(c), Section 2.5(b),and Section 2.5(c), a "Guaranty Opportunity"), and (ii) after the Tax Protection Period, and for so long as a Guaranty Partner has not had a 50% Termination, the Operating Partnership shall use commercially reasonable efforts to make Guaranty Opportunities available to each Guaranty Partner, provided that in the case of this clause (ii), the Operating Partnership shall not be required to incur any indebtedness that it would not otherwise have incurred, as determined by the Operating Partnership in its reasonable discretion; *provided*, *however*, that in the case of clauses (i) and (ii) the aggregate amount of all guaranties required to be made available by the Operating Partnership for execution by all Guaranty Partners need not exceed the aggregate Required Liability Amount of all Guaranty Partners. The Operating Partnership shall have the discretion to identify the Approved Liability or Approved Liabilities that shall be made available for guaranty by each Guaranty Partner. Each Guaranty Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Guaranty Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any debt subject to a Guaranty to the applicable Guaranty Partners. Each Guaranty Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Guaranty Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Guaranty Partner.

(c) During the Tax Protection Period, the Operating Partnership shall not allow a Debt Notification Event to occur unless the Operating Partnership provides at least thirty (30) days' written notice (a "Section 2.4 Notice") to each Guaranty Partner that may be affected thereby. The Section 2.4 Notice shall describe the Debt Notification Event and designate one or more Approved Liabilities that may be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement in an amount equal to the amount of the refinanced or repaid Approved Liability that was guarantied by such Guaranty Partner immediately prior to the date of the refinancing or repayment. Any Guaranty Partner that desires to execute a guaranty following the receipt of a Section 2.4 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.4 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.4(a), (b) and (c) of this Agreement, it shall have no liability to a Guaranty Partner

under Section 2.4(e) for breach of Section 2.4, whether or not such Guaranty Partner accepts its Guaranty Opportunity. Furthermore, the Operating Partnership makes no representation or warranty to any Guaranty Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Guaranty Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.4 or an act or omission that is indemnifiable under Section 2.4(e) of this Agreement).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.4, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Guaranty Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Guaranty Partner exceeds the estimated Make Whole Amount applicable to such Guaranty Partner, then the Operating Partnership shall pay such excess to such Guaranty Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Guaranty Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Guaranty Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Guaranty Partner for a breach or violation of the covenants set forth in Section 2.4 shall be a claim a claim against the Operating Partnership for the Make Whole Amount as set forth in Section 2.4(e), and no Guaranty Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.4.

(g) Notwithstanding any provision of this Section 2.4 to the contrary, to the extent a Guaranty Partner is also a Non-Qualified Liability Partner that has guaranteed Non-Qualified Liabilities pursuant to Section 2.5, the amount of such guaranteed liabilities shall be treated as the Operating Partnership's satisfaction of that amount of its obligation to provide a Guaranty Opportunity under this Section 2.4, and such liabilities shall be treated as an Approved Liability for purposes of this Section 2.4, including for purposes of determining whether a Section 2.4 Notice and substitute Approved Liability are required.

Section 2.5 Non-Qualified Liability Maintenance and Allocation.

(a) During the Non-Qualified Liability Period, the Operating Partnership shall not repay any Non-Qualified Liability (excluding any scheduled payments of principal occurring pursuant to the terms of such Non-Qualified Liability) which has been guarantied by a Non-Qualified Liability Partner pursuant to Section 2.5(b) unless: (i) the Operating Partnership repays such Non-Qualified Liability with proceeds generated by its incurrence of other liabilities which each such Non-Qualified Liability Partner is offered an opportunity to guaranty; or (ii) the Partners' Representative consents in writing to such repayment.

(b) During the Non-Qualified Liability Period, the Operating Partnership shall use commercially reasonable efforts to provide each Non-Qualified Liability Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of each Non-Qualified Liability listed below such Non-Qualified Liability Partner's name in Exhibit E in an amount up to such Non-Qualified Liability Partner's Non-Qualified Liability Amount. Each Non-Qualified Liability Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Non-Qualified Liability Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any Guarantied Liability to the applicable Non-Qualified Liability Partners. Each Non-Qualified Liability Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Non-Qualified Liability Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Non-Qualified Liability Partner.

(c) During the Non-Qualified Liability Period, if the Operating Partnership intends to repay any Non-Qualified Liability with proceeds generated by its incurrence of other liabilities as provided in Section 2.5(a)(i), the Operating Partnership shall provide at least thirty (30) days' written notice (a "Section 2.5 Notice") to each Non-Qualified Liability Partner that may be affected thereby. The Section 2.5 Notice shall describe which Non-Qualified Liability is being repaid and the nature and amount of the liability, if any, being incurred to repay such Non-Qualified Liability. The Operating Partnership shall use commercially reasonable efforts to make available to each affected Non-Qualified Liability Partner the opportunity to guaranty any such newly-incurred liability in the same manner as provided in Section 2.5(b) in an amount equal to the amount of the repaid Non-Qualified Liability that was guarantied by such Non-Qualified Liability Partner immediately prior to the date of the repayment. Any Non-Qualified Liability Partner that desires to execute a guaranty following the receipt of a Section 2.5 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.5 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.5(a), (b) and (c) of this Agreement, it shall have no liability to any Non-Qualified Liability Partner for breach of Section 2.5, whether or not such Non-Qualified Liability Partner accepts its Guaranty Opportunity. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall have no liability to any Non-Qualified Liability Partner if the Operating Partnership is unable, despite its commercially reasonable efforts, to provide each Non-Qualified Liability Partner with the opportunity to guaranty a Non-Qualified Liability. Furthermore, the Operating Partnership makes no representation or warranty to any Non-Qualified Liability Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Non-Qualified Liability Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.5).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.5, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Non-Qualified Liability Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Non-Qualified Liability Partner exceeds the estimated Make Whole Amount applicable to such Non-Qualified Liability Partner, then the Operating Partnership shall pay such excess to such Non-Qualified Liability Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Non-Qualified Liability Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Non-Qualified Liability Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, no Non-Qualified Liability Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.5.

Section 2.7 Dispute Resolution. Any controversy, dispute, or claim of any nature arising out of, in connection with, or in relation to the interpretation, performance, enforcement or breach of this Agreement (and any closing document executed in connection herewith) shall be governed by Section 5.08 of the Representation, Warranty and Indemnity Agreement.

ARTICLE III

GENERAL PROVISIONS

Section 3.1 Notices. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms of this Agreement shall be given in the same manner as in the OP Agreement.

Section 3.2 Titles and Captions. All Article or Section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” and “Sections” are to Articles and Sections of this Agreement.

Section 3.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 3.1 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain form taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 3.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 3.6 Creditors. Other than as expressly set forth herein, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Operating Partnership.

Section 3.7 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any covenant, duty, agreement or condition.

Section 3.8 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.9 Applicable Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California, without regard to the principles of conflicts of law.

Section 3.10 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of other remaining provisions contained herein shall not be affected thereby.

Section 3.11 Entire Agreement. This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and amends, restates and supersedes the OP Agreement and any other prior written or oral understandings or agreements among them with respect thereto.

Section 3.12 No Rights as Stockholders. Nothing contained in this Agreement shall be construed as conferring upon the holders of the OP Units any rights whatsoever as stockholders of the REIT, including, without limitation, any right to receive dividends or other distributions made to stockholders of the REIT or to vote or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the REIT or any other matter.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

REIT:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: _____
Name: _____
Title: _____

OPERATING PARTNERSHIP:

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.
a Maryland corporation,
Its General Partner

By: _____
Name: _____
Title : _____

SCHEDULE I

PROTECTED PARTNERS

See attached.

SCHEDULE II

GUARANTY PARTNERS

See attached.

SCHEDULE III

NON-QUALIFIED LIABILITY PARTNERS

See attached.

EXHIBIT A

PROTECTED PROPERTIES

Property Name
Carmel Country Plaza
Carmel Mountain Plaza
Del Monte Center
ICW Plaza
Loma Palisades
Lomas Santa Fe Plaza
Waikele Center

EXHIBIT B

ESTIMATED ALLOCATIONS OF SECTION 704(c) GAIN

See attached.

EXHIBIT C

REQUIRED LIABILITY AMOUNT

See attached.

EXHIBIT D

NON-QUALIFIED LIABILITIES

See attached.

EXHIBIT E

NON-QUALIFIED LIABILITY AMOUNT

See attached.

EXHIBIT F

FORM OF GUARANTY

See attached.

Exhibit B

Formation Transaction Documentation

Form of Forward REIT Merger Agreement

Form of REIT Sub Forward Merger Agreement

Form of Forward OP Merger Agreement

Form of OP Sub Forward Merger Agreement

Form of OP Sub Reverse Merger Agreement

Form of OP Contribution Agreement

Form of OP Sub Contribution Agreement

Form of Alternate Contribution Agreement

Form of Tax Protection Agreement

Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.

Registration Rights Agreement

Representation, Warranty and Indemnity Agreement

Indemnity Escrow Agreement

Lock-Up Agreement

Articles of Amendment and Restatement of American Assets Trust, Inc.

Bylaws of American Assets Trust, Inc.

Management Business Contribution Agreement

Exhibit C

Operating Partnership Agreement

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMERICAN ASSETS TRUST, L.P.

a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"),OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [_____], 2010

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Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [_____], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [_____], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

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

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

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

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

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares

issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided, however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

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

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

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

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

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

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

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

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

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

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

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

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

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

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

"*Common Unit Economic Balance*" means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner's Partnership Common Units.

"*Consent*" means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms "*Consented*" and "*Consenting*" have correlative meanings.

"*Consent of the General Partner*" means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

"*Consent of the Limited Partners*" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

"*Consent of the Partners*" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided*, *however*, that, if any such action affects only certain classes or series of Partnership Interests, "Consent of the Partners" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

"*Constituent Person*" has the meaning set forth in Section 16.9.F hereof.

"*Contributed Property*" means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a "new" partnership pursuant to Code Section 708).

"*Controlled Entity*" means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits and (d) any limited liability company

of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

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

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

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

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

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Family Members*" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

"*Final Adjustment*" has the meaning set forth in Section 10.3.B(2) hereof.

"*Flow-Through Partners*" has the meaning set forth in Section 3.4.C hereof.

"*Flow-Through Entity*" has the meaning set forth in Section 3.4.C hereof.

"*Forced Conversion*" has the meaning set forth in Section 16.9.C hereof.

"*Forced Conversion Notice*" has the meaning set forth in Section 16.9.C hereof.

"*Fourteen-Month Period*" means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party's first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

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

"*General Partner*" means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on Exhibit A, as such Exhibit A may be amended from time to time, in such Person's capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

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

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

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

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

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

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

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

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

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the

appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

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

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

"*LTIP Units*" means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

"*Majority in Interest of the Limited Partners*" means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

"*Majority in Interest of the Partners*" means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

"*Market Price*" has the meaning set forth in the definition of "*Value*."

"*Maryland Courts*" has the meaning set forth in Section 15.9.B hereof.

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss" shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss," shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

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

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

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

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

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

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

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

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

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt

were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

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

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established within ten (10) Business Days of the record date for the determination of the existence of such Partnership Approval, then Partnership Approval shall be deemed not to exist with respect to the event constituting such General Partner Interest Transfer.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in

Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

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

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided*, *however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

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

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"*SDAT*" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a

"taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT

Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation*. The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name*. The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office*. The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such

other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

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

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

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

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term*. The term of the Partnership commenced on [_____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities*. All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business*. The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified*. The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a "partnership at will" (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the

meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an

individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

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

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing

services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to

the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment

Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the General Partner shall sell to such Partnership Subsidiary), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the Partnership Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

D. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares.*

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the same as the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares ("*Partnership Equivalent Units*") equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the

Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares*. Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its

sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term "Partnership Year" may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

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

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

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

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being

allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4)

and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. *Allocation of Excess Nonrecourse Liabilities*. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

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

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

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

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

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

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

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

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

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating

to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

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

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

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

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

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

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

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

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

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is

entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several,

expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

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

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

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

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

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

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

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

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

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

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

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

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

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

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been

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

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such

opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

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

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner*. No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year*. For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns*. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections*. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

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

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a "notice partner" (as defined in Code Section 6231) or a member of a "notice group" (as defined in Code Section 6223(b)(2));

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

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

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

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

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

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

Section 10.4 *Withholding*. Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan

if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses*. The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any

other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. The General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its stockholders (each of a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of

its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided, however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided, further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided, however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided, further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided, however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by

the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within

the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be

subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions*.

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii)

in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner*. A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate Consent of the Limited Partners or the consent or approval of any other Partners. Any such

successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission

shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership*. For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners*. Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission*. A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution*. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

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

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

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

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

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

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution*. Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax

purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders*. Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution*. In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership*. Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up*. A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided, however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS
OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners*. The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments*. Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the

proposal; *provided, however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action, (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion,

redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided, however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or

restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice*. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions*. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as

specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals*. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action*. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver*.

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

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided*, *however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided*, *further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts*. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

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

event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement*. This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions*. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status*. Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, however, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition*. No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby*. The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third

party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders*. Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation*. A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting*.

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and

with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments*. The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP

Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations*. Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers*. Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption*. The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend*. Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units

covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be

reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special

allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting*. LTIP Unit Limited Partners shall (a) have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter. So long as any LTIP Units remain outstanding and except as provided in Section 16.3, the Partnership shall not, without the Consent of the Limited Partners holding a majority of the LTIP Units held by Limited Partners at the time (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of the Agreement applicable to LTIP Units so as to materially and adversely affect any right, privilege or voting power of the LTIP Units or the LTIP Unit Limited Partners as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners holding Partnership Common Units; but subject, in any event, to the following provisions: (i) with respect to any Transaction, so long as the LTIP Units are treated in accordance with Section 16.9.F hereof, the consummation of such Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such; and (ii) any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Partnership Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such. The foregoing voting provisions will not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted or provision is made for such conversion to occur as of or prior to such time into Partnership Common Units.

Section 16.11 *Section 83 Safe Harbor*. Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such

election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: _____
Name:
Its:

LIMITED PARTNER:

[,
a],

By: _____
Name:
Its:

LIMITED PARTNER:

_____
Name:

As of [ ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	**Partnership Units (Type and Amount)**
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL:	[ ] Partnership Common Units

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [_____] is 1.0 and (b) on [_____] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

_____

_____

_____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [ ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: _____

Name of Limited Partner or Assignee:

(Signature of Limited Partner or Assignee)

(Street Address)

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

Issue Check Payable to:

Please insert social security
or identifying number:

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT
LTIP UNITS INTO PARTNERSHIP COMMON UNITS

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____
Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

_____
(Signature of Holder)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to: _____

Please insert social security
or identifying number: _____

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

Exhibit D

Form of Registration Rights Agreement

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [_____], 2010 by and among American Assets Trust, Inc., a Maryland corporation (the "Company"), and the holders listed on Schedule I hereto (each an "Initial Holder" and, collectively, the "Initial Holders").

RECITALS

WHEREAS, in connection with the initial public offering (the "IPO") of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), the Company and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), have concurrently engaged in certain formation transactions (the "Formation Transactions"), pursuant to which the Initial Holders have concurrently received, in exchange for their (or certain related parties') respective interests in the entities participating in the Formation Transactions or in exchange for services rendered, (i) common units of limited partnership interest in the Operating Partnership ("Common OP Units") and/or (iii) shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions contained in the Operating Partnership Agreement (as defined below), Common OP Units will be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock;

WHEREAS, as a condition to receiving the consent of the Initial Holders to the Formation Transactions, the Company has agreed to grant the Initial Holders and their permitted assignees and transferees the registration rights set forth in Article II hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the definitions set forth above, the following terms, as used herein, have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Registration Rights Agreement, as it may be amended, supplemented or restated from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, New York or San Diego, California are authorized by law to close.

"Charter" means the Articles of Amendment and Restatement of the Company as filed with the Secretary of State of the State of Maryland on [_____], 2010, as the same may be amended, modified or restated from time to time.

"Commission" means the Securities and Exchange Commission.

"Company Piggy-Back Registration" has the meaning set forth in Section 2.1(a).

"Effectiveness Period" has the meaning set forth in Section 2.4(b).

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

"Exchangeable Common OP Units" means Common OP Units which may be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock pursuant to the Operating Partnership Agreement (without regard to any limitations on the exercise of such exchange right as a result of the Ownership Limit Provisions).

"Holder" means (i) any Initial Holder who is the record or beneficial owner of any Registrable Security or (ii) any assignee or transferee of such Initial Holder (including assignments or transfers of Registrable Securities to such assignees or transferees as a result of the foreclosure on any loans secured by such Registrable Securities) (x) to the extent permitted under the Operating Partnership Agreement or the Charter, as applicable, and (y) provided such assignee or transferee agrees in writing to be bound by all the provisions hereof.

"Indemnified Party" has the meaning set forth in Section 2.10.

"Indemnifying Party" has the meaning set forth in Section 2.10.

"Initial Period" means a period commencing on the date hereof and ending 365 days following the effective date of the first Resale Shelf Registration Statement (except that, if the shares of Common Stock issuable upon exchange of Exchangeable Common OP Units received in the Formation Transactions are not included in that Resale Shelf Registration Statement as a result of Section 2.4(b), the 365 days shall not begin until the later of the effective date of (i) the first Resale Shelf Registration Statement and (ii) the first Issuer Shelf Registration Statement).

"Issuer Shelf Registration Statement" has the meaning set forth in Section 2.4(b).

"Market Value" means, with respect to the Common Stock, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date of a written request for registration pursuant to Section 2.1(a). The market price for each such

trading day shall be: (i) if the Common Stock is listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, in either case as reported in the principal consolidated transaction reporting system, (ii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the Company, or (iii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Market Value of the Common Stock shall be determined by the Board of Directors of the Company acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"Notice and Questionnaire" means a written notice, substantially in the form attached as Exhibit A , delivered by a Holder to the Company (i) notifying the Company of such Holder's desire to include Registrable Securities held by it in a Resale Shelf Registration Statement, (ii) containing all information about such Holder required to be included in such registration statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto, and (iii) pursuant to which such Holder agrees to be bound by the terms and conditions hereof.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of [_____], 2010, as the same may be amended, modified or restated from time to time.

"Ownership Limit Provisions" mean the various provisions of the Company's Charter set forth in Article [__] thereof restricting the ownership of Common Stock by Persons to specified percentages of the outstanding Common Stock.

"Person" means an individual or a corporation, partnership, limited liability company, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Rady Demand Registration" has the meaning set forth in Section 2.1(a).

"Rady Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Rady Holder" means a Holder that is Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or

the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns.

"Rady Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Registrable Securities" means with respect to any Holder, shares of Common Stock owned, either of record or beneficially, by such Holder that were (a) received by such Holder or an Initial Holder in the Formation Transactions, (b) acquired by such Holder or an Initial Holder directly from the Underwriters or the Company in the IPO, in each case in a transaction disclosed in the registration statement relating to the IPO, (c) issued or issuable upon exchange of Exchangeable Common OP Units received by such Holder or an Initial Holder in the Formation Transactions, (d) solely in the case of any Rady Holder, any Common Stock acquired by such Rady Holder in the open market after the date hereof and prior to the first (1st) anniversary of the date hereof, and, (e) in the case of (a), (b), (c) and (d), any additional shares of Common Stock issued as a dividend or distribution on, in exchange for, or otherwise in respect of, such shares (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or otherwise).

As to any particular Registrable Securities, they shall cease to be Registrable Securities at the earliest time as one of the following shall have occurred: (i) a registration statement (including a Resale Shelf Registration Statement) covering such shares has been declared effective by the Commission and all such shares have been disposed of pursuant to such effective registration statement or unless such shares (other than Restricted Shares) were issued pursuant to an effective registration statement (including an Issuer Shelf Registration Statement), (ii) such shares have been publicly sold under Rule 144, (iii) all such shares may be sold in one transaction pursuant to Rule 144 or (iv) such shares have been otherwise transferred in a transaction that constitutes a sale thereof under the Securities Act, the Company has delivered to the Holder's transferee a new certificate or other evidence of ownership for such shares not bearing the Securities Act restricted stock legend and such shares subsequently may be resold or otherwise transferred by such transferee without registration under the Securities Act.

"Registration Expenses" shall have the meaning set forth in Section 2.2.

"Resale Shelf Registration" shall have the meaning set forth in Section 2.4(a).

"Resale Shelf Registration Statement" shall have the meaning set forth in Section 2.4(a).

"Restricted Shares" means shares of Common Stock issued under an Issuer Shelf Registration Statement which if sold by the holder thereof would constitute "restricted securities" as defined under Rule 144.

"Rule 144" means Rule 144 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Rule 415" means Rule 415 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Securities Act" means the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act pursuant to the terms hereof.

"Shelf Registration Statement" means a Resale Shelf Registration Statement and/or an Issuer Shelf Registration Statement.

"Suspension Notice" means any written notice delivered by the Company pursuant to Section 2.14 with respect to the suspension of rights under a Resale Shelf Registration Statement or any prospectus contained therein.

"Underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

ARTICLE II
REGISTRATION RIGHTS

Section 2.1. Underwritten Demand Registration.

(a) Commencing on or after the date that is three hundred sixty five (365) days after the consummation date of the IPO and until such time as a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) has been declared effective, or if at any time on or after the date that is sixteen (16) months after the consummation date of the IPO, a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) shall not be effective, the majority in interest of the Rady Holder(s) may make written requests to the Company for one or more registrations of underwritten offerings under the Securities Act of all or part of their Common Stock constituting Registrable Securities (a "Rady Demand Registration"). The Company shall prepare and file a registration statement on an appropriate form with respect to any Rady Demand Registration (the "Rady Demand Registration Statement") and shall use its reasonable efforts to cause the Rady Demand Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof. Any request for a Rady Demand Registration will specify the number of shares of Registrable Securities proposed to be sold in the underwritten offering. The Company shall have the opportunity to register such number of shares of Common Stock as it may elect on the Rady Demand Registration Statement and as part of the same underwritten offering in connection with a Rady Demand Registration (a "Company Piggy-Back Registration"). Unless a majority in interest of the Rady Holders participating in such Rady Demand Registration shall consent in writing, no party, other than the Company, shall be permitted to offer securities in connection with any such Rady Demand Registration.

(b) Underwriters. The Company shall select the book-running managing Underwriter in connection with any Rady Demand Registration; provided that such managing Underwriter must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration. The Company may select any additional investment banks and managers to be used in connection with the offering; provided that such additional investment bankers and managers must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration.

Section 2.2. Piggy-Back Registration. If the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock by the Company for its own account (other than (i) any registration statement filed in connection with a demand registration by a party other than a Rady Holder or (ii) a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission) or filed in connection with an exchange offer or offering of securities solely to the Company's existing securityholders), then the Company shall give written notice of such proposed filing to the Rady Holders as soon as practicable (but in no event less than ten (10) days before the anticipated filing date), and such notice shall offer such Rady Holders the opportunity to register such number of shares of Registrable Securities as each such Rady Holder may request (a "Rady Piggy-Back Registration"); provided, that if and so long as a Shelf Registration Statement is on file and effective, then the Company shall have no obligation to effect a Rady Piggy-Back Registration. The Company shall use its commercially reasonable efforts to cause the managing Underwriter(s)of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Rady Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company included therein.

Section 2.3. Reduction of Offering. Notwithstanding anything contained in Sections 2.1 and 2.2, if the managing Underwriter(s) of an offering described in Section 2.1 or 2.2 advise in writing the Company and the Rady Holders that the size of the intended offering is such that the success of the offering would be significantly and adversely affected by inclusion of (i) the Registrable Securities requested to be included by the Rady Holders in a Rady Piggy-Back Registration or (ii) the Common Stock requested to be included by the Company in a Rady Demand Registration/Company Piggy-Back Registration, then: (x) in the case of a Rady Demand Registration/ Company Piggy-Back Registration, the amount of the Common Stock to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering;and (y) in the caseof a Rady Piggy-Back Registration, the amount of securities to be offered for the accounts of Rady Holders shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Rady Holders shall not be reduced to less than thirty percent (30%) of the total number of securities to be included in such offering.

Section 2.4. Shelf Registration.

(a) Subject to Section 2.14, the Company shall prepare and file not later than fourteen (14) months after the consummation date of the IPO, a "shelf" registration statement with respect to the resale of the Registrable Securities ("Resale Shelf Registration") by the Holders thereof on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration Statement") and permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Resale Shelf Registration Statement. The Company shall use its reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof, and, subject to Sections 2.4(d) and 2.14, to keep such Resale Shelf Registration Statement continuously effective for a period ending when all shares of Common Stock covered by the Resale Shelf Registration Statement are no longer Registrable Securities.

At the time the Resale Shelf Registration Statement is declared effective, each Holder that has delivered a duly completed and executed Notice and Questionnaire to the Company on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of Registrable Securities in accordance with applicable law. If required by applicable law, subject to the terms and conditions hereof, after effectiveness of the Resale Shelf Registration Statement, the Company shall file a supplement to such prospectus or amendment to the Resale Shelf Registration Statement not less than once a quarter as necessary to name as selling securityholders therein any Holders that provide to the Company a duly completed and executed Notice and Questionnaire and shall use reasonable efforts to cause any post-effective amendment to such Resale Shelf Registration Statement filed for such purpose to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof.

(b) The Company may, at its option, satisfy its obligation to prepare and file a Resale Shelf Registration Statement pursuant to Section 2.4(a) with respect to shares of Common Stock issuable upon exchange of Exchangeable Common OP Units by preparing and filing with the Commission not later than fourteen (14) months after the consummation date of the IPO a registration statement on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (an "Issuer Shelf Registration Statement") providing for (i) the issuance by the Company, from time to time, to the Holders of such Exchangeable Common OP Units, of shares of Common Stock registered under the Securities Act (the "Primary Shares") and (ii) to the extent such Primary Shares constitute Restricted Shares, the registered resale thereof by their Holders from time to time in accordance with the methods of distribution elected by the Holders and set forth therein (but except as provided in Section 2.4(c) below, not an underwritten offering). The Company shall use its reasonable efforts to cause the Issuer Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after filing thereof and, subject to Sections 2.4(d) and 2.14, to keep the Issuer Shelf Registration Statement continuously effective for a period (the "Effectiveness Period") expiring on the date all of the shares of Common Stock covered by such Issuer Shelf Registration Statement have been issued by the Company pursuant thereto or are no longer Registrable Securities. If the Company shall exercise its rights under this Section 2.4(b), Holders (other than Holders of Restricted Shares) shall have

no right to have shares of Common Stock issued or issuable upon exchange of Exchangeable Common OP Units included in a Resale Shelf Registration Statement pursuant to Section 2.4(a).

(c) Underwritten Registered Resales. Any offering under a Resale Shelf Registration Statement or by Holders under an Issuer Shelf Registration Statement shall be underwritten at the written request of Holders of Registrable Securities under such registration statement that hold in the aggregate at least ten percent 10% of the Registrable Securities originally issued in the Formation Transactions (provided, that the Registrable Securities requested to be registered in such underwritten offering shall either (i) have a Market Value of at least $25,000,000 on the date of such request or (ii) shall represent all remaining Registrable Securities held by all Rady Holders and shall have a Market Value of at least $10,000,000 on the date of such request; provided, further, that the Company shall not be obligated to effect more than three (3) underwritten offerings under this Section 2.4(c); and provided, further, that the Company shall not be obligated to effect, or take any action to effect, an underwritten offering (i) within 120 days following the last date on which an underwritten offering was effected pursuant to this Section 2.4(c) or Section 2.1(a) or during any lock-up period required by the Underwriters in any prior underwritten offering conducted by the Company on its own behalf or on behalf of selling stockholders, or (ii) during the period commencing with the date thirty (30) days prior to the Company's good faith estimate of the date of filing of (provided the Company is actively employed in good faith commercially reasonable efforts to file such registration statement), and ending on a date ninety (90) days after the effective date of, a registration statement with respect to an offering by the Company. Any request for an underwritten offering hereunder shall be made to the Company in accordance with the notice provisions of this Agreement.

(d) Subsequent Filing. The Company shall prepare and file such additional registration statements as necessary every three (3) years and use its reasonable efforts to cause such registration statements to be declared effective by the Commission so that a Shelf Registration Statement remains continuously effective, subject to Section 2.14, with respect to resales of Registrable Securities as and for the periods required under Section 2.4(a) or (b), as applicable (such subsequent registration statements to constitute a Resale Shelf Registration Statement or an Issuer Shelf Registration Statement, as the case may be, hereunder).

(e) Selling Holders Become Party to Agreement. Each Holder acknowledges that by participating in its registration rights pursuant to this Agreement, such Holder will be deemed a party to this Agreement and will be bound by its terms, notwithstanding such Holder's failure to deliver a Notice and Questionnaire; provided, that any Holder that has not delivered a duly completed and executed Notice and Questionnaire shall not be entitled to be named as a Selling Holder in, or have the Registrable Securities held by it covered by, a Shelf Registration Statement.

Section 2.5. Reduction of Offering. Notwithstanding anything contained herein, if the managing Underwriter(s) of an offering described in Section 2.4(c) advise in writing the Company and the Holder(s) of the Registrable Securities included in such offering that the size of the intended offering is such that the success of the offering would be significantly adversely

affected by inclusion of all the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders shall be reduced pro rata (according to the Registrable Securities requested for inclusion) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s) but in priority to any securities proposed to be sold by any other holders of securities of the Company with registration rights to participate therein. The Company shall have the opportunity to include such number of securities as it may elect in an offering described in Section 2.4(c); provided, if the managing Underwriter(s) of such offering advise in writing the Company and the Holder(s) of the Registrable Securities requested to be included that the success of the offering would be significantly adversely affected by inclusion of all the securities requested to be included by the Company, then the amount of securities to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s); provided, further, the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering.

Section 2.6. Registration Procedures; Filings; Information. Subject to Section 2.14 hereof, in connection with any Resale Shelf Registration Statement under Section 2.4(a), the Company will use its reasonable efforts to effect the registration of the Registrable Securities covered thereby in accordance with the intended method of disposition thereof as quickly as practicable, and, in connection with any Issuer Shelf Registration Statement under Section 2.4(b), the Company will use its reasonable efforts to effect the registration of the Primary Shares (including for resale, to the extent provided in clause (ii) of Section 2.4(b)) as quickly as reasonably practicable. In connection with any Shelf Registration Statement:

(a) The Company will no later than two (2) Business Days prior to filing a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) or prospectus or any amendment or supplement thereto, furnish to each Selling Holder and each Underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter furnish to such Selling Holder and Underwriter, if any, such number of conformed copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder or Underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder.

(b) After the filing of a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(c) The Company will use its reasonable efforts to (i) register or qualify the Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States (where an exemption does not apply) as any Selling Holder or managing Underwriter(s), if any, reasonably (in light of such Selling Holder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition of the Registrable Securities owned by such Selling Holder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (c), (B) subject itself to general taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction. The Company will promptly notify each Selling Holder of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company will immediately notify each Selling Holder of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the Company's receipt of any notification of the suspension of the qualification of any Registrable Securities covered by a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) for sale in any jurisdiction; or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and promptly make available to each Selling Holder any such supplement or amendment.

(e) The Company will otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder (or any successor rule or regulation hereafter adopted by the Commission).

(f) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will enter into and perform its obligations under customary agreements (including an underwriting agreement, if any, in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities (including, to the extent reasonably requested by the lead or managing Underwriters, sending appropriate officers of the Company to attend "road shows" scheduled in reasonable number and at reasonable times in connection

with any such underwritten offering, and obtaining customary comfort letters and legal opinions) subject to such underwritten offering.

(g) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement, the Company will make available for inspection by any Selling Holder of Registrable Securities subject to such underwritten offering, any Underwriter participating in any disposition of such Registrable Securities and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter, all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any inspectors in connection with such registration statement, subject to entry by each such Person of a customary confidentiality agreement in a form reasonably acceptable to the Company.

(h) The Company will use its reasonable efforts to cause all Registrable Securities covered by such Resale Shelf Registration Statement or Primary Shares covered by such Issuer Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(i) In addition to the Notice and Questionnaire, the Company may require each Selling Holder of Registrable Securities to promptly furnish in writing to the Company such information regarding such Selling Holder, the Registrable Securities held by it and the intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration. No Holder may include Registrable Securities in any registration statement pursuant to this Agreement unless and until such Holder has furnished to the Company such information. Each Holder further agrees to furnish as soon as reasonably practicable to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

(j) Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(b) or 2.6(d) or upon receipt of a Suspension Notice, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of written notice from the Company that such disposition may be made and, in the case of clause (ii) of Section 2.6(d) or, if applicable, Section 2.14, copies of any supplemented or amended prospectus contemplated by clause (ii) of Section 2.6(d) or, if applicable, prepared under Section 2.14, and, if so directed by the Company, such Selling Holder will deliver to the Company all copies, other than permanent file copies then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Each Selling Holder of Registrable Securities agrees that it will immediately notify the Company at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act of the happening of an event as a result of which information previously furnished by such Selling Holder to the Company in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact

required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.

Section 2.7. Registration Expenses. In connection with any registration statement required to be filed hereunder, the Company shall pay the following registration expenses incurred in connection with the registration hereunder (the "Registration Expenses"), regardless whether such registration statement is declared effective by the Commission: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, including in connection with the preparation of comfort letters, and any transfer agent and registrar fees, and (vii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or any transfer taxes relating to the registration or sale of the Registrable Securities.

Section 2.8. Indemnification by the Company. The Company agrees to indemnify and hold harmless each Selling Holder of Registrable Securities, its officers, directors, agents, partners, members, employees, managers, advisors, sub-advisors, attorneys, representatives and Affiliates, and each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against, as incurred, any and all losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, prospectus, or free writing prospectus relating to the Registrable Securities (in each case, as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or that arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission included in reliance upon and in conformity with information furnished in writing to the Company by such Selling Holder or on such Selling Holder's behalf expressly for inclusion therein.

Section 2.9. Indemnification by Holders of Registrable Securities. Each Selling Holder agrees, severally but not jointly or jointly and severally, to indemnify and hold harmless the Company, its officers, directors, agents, employees, attorneys, representatives and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Selling Holder, but only with respect to information relating to such Selling Holder included in reliance upon and in conformity with information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration

statement, preliminary prospectus, prospectus or free writing prospectus relating to the Registrable Securities, or any amendment or supplement thereto. In case any action or proceeding shall be brought against the Company or its officers, directors or agents or any such controlling person, in respect of which indemnity may be sought against such Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its officers, directors or agents or such controlling person shall have the rights and duties given to such Selling Holder, by Section 2.10; provided, however, that the total obligations of such Selling Holder under this Agreement (including, but not limited to, obligations arising under Section 2.11 herein) will be limited to an amount equal to the net proceeds actually received by such Selling Holder (after deducting any discounts and commissions) from the disposition of Registrable Securities pursuant to such registration statement.

Section 2.10. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 2.8 or 2.9, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (an "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided, however, that the failure of any Indemnified Party to give such notice will not relieve such Indemnifying Party of any obligations under Section 2.8 or 2.9, except to the extent such Indemnifying Party is materially prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) representation of the Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and the Indemnified Party. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by (i) in the case of Persons indemnified pursuant to Section 2.8 hereof, the Selling Holders which owned a majority of the Registrable Securities sold under the applicable registration statement and (ii) in the case of Persons indemnified pursuant to Section 2.9, the Company. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding without any admission of liability by such Indemnified Party.

Section 2.11. Contribution. If the indemnification provided for in Section 2.8 or 2.9 hereof is held by a court of competent jurisdiction to be unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities that otherwise would have been covered by Section 2.8 or 2.9 hereof, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of each Selling Holder, on the other hand, in connection with such statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party.

The Company and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 2.11 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.11, no Selling Holder shall be required to contribute any amount which in the aggregate exceeds the amount by which the net proceeds actually received by such Selling Holder from the sale of its securities to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Holder's obligations to contribute pursuant to this Section 2.11, if any, are several in proportion to the proceeds of the offering actually received by such Selling Holder bears to the total proceeds of the offering received by all the Selling Holders and not joint.

Section 2.12. Rule 144. The Company covenants that it will (a) make and keep public information regarding the Company available as those terms are defined in Rule 144, (b) file in a timely manner any reports and documents required to be filed by it under the Securities Act and the Exchange Act, (c) furnish to any Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time more than ninety (90) days after the effective date of the registration statement for the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), and (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 2.13. Participation in Underwritten Offerings. No Person may participate in any underwritten offerings hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights provided for in this Article II.

Section 2.14. Suspension of Use of Registration Statement.

(a) If the Board of Directors of the Company determines in its good faith judgment that the filing of a Rady Demand Registration Statement or Resale Shelf Registration Statement under Section 2.1(a) or Section 2.4(a) or the use of any related prospectus would be materially detrimental to the Company because such action would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential or the disclosure of which would materially impede the Company's ability to consummate a significant transaction, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, upon written notice of such determination by the Company to the Holders which shall be signed by the Chief Executive Officer, President or any Executive Vice President of the Company certifying thereto, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Resale Shelf Registration or to require the Company to take action with respect to the registration or sale of any Registrable Securities pursuant to a Resale Shelf Registration Statement shall be suspended until the earliest of (i) the date upon which the Company notifies the Holders in writing that suspension of such rights for the grounds set forth in this Section 2.14(a) is no longer necessary and they may resume use of the applicable prospectus, (ii) the date upon which copies of the applicable supplemented or amended prospectus is distributed to the Holders, and (iii) (x) up to thirty (30) consecutive days after the notice to the Holders if that notice is given during the Initial Period or (y) ninety (90) consecutive days after the notice to the Holders if that notice is given after the Initial Period; provided, that the Company shall not be entitled to exercise any such right more than two (2) times in any twelve (12) month period or less than thirty (30) days from the termination of the prior such suspension period; and provided further, that such exercise shall not prevent the Holders from being entitled to at least three hundred twenty (320) days of effective registration with respect to such registration statement during each Initial Period and thereafter two hundred ten (210) days of effective registration with respect to such registration statement in any 365-day period. The Company agrees to give the notice under (i) above as promptly as practicable following the date that such suspension of rights is no longer necessary.

(b) If all reports required to be filed by the Company pursuant to the Exchange Act have not been filed by the required date without regard to any extension, or if the consummation of any business combination by the Company has occurred or is probable for purposes of Rule 3-05 or Article 11 of Regulation S-X promulgated under the Securities Act or any similar successor rule, upon written notice thereof by the Company to the Holders, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement or to require the Company to take action with respect to the registration or sale of any Registrable Securities

pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement shall be suspended until the date on which the Company has filed such reports or obtained and filed the financial information required by Rule 3-05 or Article 11 of Regulation S-X to be included or incorporated by reference, as applicable, in a Rady Demand Registration Statement or Resale Shelf Registration Statement, and the Company shall use commercially reasonable efforts to file the required reports or obtain and file the financial information required to be included or incorporated by reference, as applicable, as promptly as commercially practicable, and shall notify the Holders as promptly as practicable when such suspension is no longer required.

Section 2.15. Additional Shares. The Company, at its option, may register under a Shelf Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued shares of Common Stock or any shares of Common Stock owned by any other stockholder or stockholders of the Company; provided that in no event shall the inclusion of such shares on a registration statement reduce the amount offered for the account of the Holders in any underwritten offering at the request of the Holders pursuant to Section 2.1(a) or Section 2.4(c).

ARTICLE III
MISCELLANEOUS

Section 3.1. Remedies. In addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, the Holders shall be entitled to specific performance of the rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

Section 3.2. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, in each case without the written consent of the Company and the Holders against whom enforcement is sought. No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.3. Notices. All notices and other communications in connection with this Agreement shall be made in writing by hand delivery, registered first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to any Holder, initially to the address indicated in such Holder's Notice and Questionnaire or, if no Notice and Questionnaire has been delivered, c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address and to such other Persons as any Holder may hereafter specify in writing; and

(2) if to the Company, initially at 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address as the Company may hereafter specify in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when received if deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 3.4. Successors and Assigns; Assignment of Registration Rights. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties. Any Holder may assign its rights under this Agreement without the consent of the Company in connection with a transfer of such Holder's Registrable Securities; provided, that the Holder notifies the Company of such proposed transfer and assignment and the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement.

Section 3.5. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 3.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 3.8. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.10. Termination. The obligations of the parties hereunder shall terminate with respect to a Holder when it no longer holds Registrable Securities and with respect to the Company upon the end of the Effectiveness Period with respect to any Issuer Shelf Registration Statement and with respect to a Resale Shelf Registration Statement when there are no longer Registrable Securities with respect to such Resale Shelf Registration Statement, except, in each case, for any obligations under Sections 2.4(d), 2.7, 2.8, 2.9, 2.10, 2.11 and Article III.

Section 3.11. Waiver of Jury Trial. The parties hereto (including any Initial Holder and any subsequent Holder) irrevocably waive any right to trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

HOLDERS LISTED ON SCHEDULE I HERETO

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:
As Attorney-in-Fact acting on behalf of each of the Holders named on Schedule I hereto

Schedule I

See Attached.

Exhibit A

Form of Notice and Questionnaire

The undersigned beneficial holder of shares of common stock, par value $.01 per share ("Common Stock"), of American Assets Trust, Inc. (the "Company") and/or units of limited partnership interests ("OP Units" and, together with the Common Stock, the "Registrable Securities") of American Assets Trust, L.P. (the "Operating Partnership"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "SEC") one or more registration statements (collectively, the "Resale Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement"), dated [_____], 2010, among the Company and the holders listed on Schedule I thereto. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Resale Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling security holder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). **To be included in the Resale Shelf Registration Statement, this Notice and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein on or prior to the tenth business day before the effectiveness of the Resale Shelf Registration Statement.** We will give notice of the filing and effectiveness of the initial Resale Shelf Registration Statement by issuing a press release and by mailing a notice to the holders at their addresses set forth in the register of the registrar.

Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling security holders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Resale Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the initial Resale Shelf Registration Statement so that such beneficial owners may be named as selling security holders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the initial Resale Shelf Registration Statement, in accordance with the Registration Rights Agreement, the Company will file such amendments to the initial Resale Shelf Registration Statement or additional shelf registration statements or supplements to the related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities.

Certain legal consequences arise from being named as selling security holders in the Resale Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling security holder in the Resale Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Security Holder") of Registrable Securities hereby elects to include in the prospectus forming a part of the Resale Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Resale Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Company and represents and warrants to the Company that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Security Holder:

(b) Full Legal Name of registered holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

(d) List below the individual or individuals who exercise voting and/or dispositive powers with respect to the Registrable Securities listed in Item (3) below:

2. Address for Notices to Selling Security Holder:

Telephone: _____

Fax: _____

E-mail address: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

Type of Registrable Securities beneficially owned, and number of shares of Common Stock and/or Common OP Units, as the case may be, beneficially owned:

4. Beneficial Ownership of Securities of the Company Owned by the Selling Security Holder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Registrable Securities listed above in Item (3).

Type and amount of other securities beneficially owned by the Selling Security Holder:

5. Relationship with the Company

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Resale Shelf Registration Statement only as follows and will not be offering any of such Registrable Securities pursuant to an agreement, arrangement or understanding entered into with a

broker or dealer prior to the effective date of the Resale Shelf Registration Statement. Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters or broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Security Holder will be responsible for underwriting discounts or commissions or agent's commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions)

(i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale;

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

Note: **In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of the Company.**

ACKNOWLEDGEMENTS

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Security Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Security Holders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Resale Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Resale Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item 3 above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing this Notice and Questionnaire, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Resale Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Resale Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the Selling Security Holder and received by the Company, the terms of this Notice and Questionnaire and the representations and warranties contained herein shall be binding on, shall insure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Security Holder with respect to the Registrable Securities beneficially owned by such Selling Security Holder and listed in Item 3 above.

This Notice and Questionnaire shall be governed by, and construed in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By _____
Name:
Title:

Dated:

Please return the completed and executed Notice and Questionnaire to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Tel: (858) 350-2600
Fax: (858) 350-2620
Attention: Chief Financial Officer

Exhibit E

Lock-Up Agreement

_____ __, 2010

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
375 Park Avenue
New York, New York 10152

as Representatives of the several
Underwriters to be named in the
within-mentioned Underwriting Agreement

Re: Proposed Public Offering by American Assets Trust, Inc.

Dear Sirs:

The undersigned, a stockholder of American Assets Trust, Inc., a Maryland corporation (the "Company") and/or a holder of common units of partnership interest (the "Units") in American Assets Trust, LP, a Maryland limited partnership and operating subsidiary of the Company (the "Operating Partnership"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Wells Fargo Securities, LLC ("Wells Fargo") and each of the other Underwriters named in Schedule A to the Underwriting Agreement (as defined below) (collectively, the "Underwriters"), for whom Merrill Lynch and Wells Fargo are acting as representatives (in such capacity, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company and the Operating Partnership, providing for the public offering (the "Public Offering") of shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). In recognition of the benefit that the Public Offering will confer upon the undersigned as a stockholder of the Company and/or as a holder of Units in the Operating Partnership, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each Underwriter to be named in the Underwriting Agreement that, during a period of 180 days from the date of the Underwriting Agreement (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives:

(i) if the undersigned is a director or executive officer of the Company, pursuant to the establishment by the undersigned of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the Lock-Up Period; or

(ii) as a *bona fide* gift or gifts or other dispositions by will or intestacy; or

(iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iv) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the undersigned or the immediate family member of the undersigned; or

(v) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; or

(vi) as a distribution to limited partners, limited liability company members or stockholders of the undersigned; or

(vii) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned; or

(viii) to the Company upon termination of the undersigned's employment with the Company; or

(ix) to pay the exercise price of options to purchase Common Stock pursuant to the cashless exercise feature of such options; or

(x) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (ix) above,

provided that, in each case, (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers or other actions are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market after completion of the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales.

Notwithstanding the foregoing, if:

(1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day Lock-Up Period,

the Representatives may extend, by written notice to the Company, the restrictions imposed by this lock-up agreement until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the period from the date of this lock-up agreement to and including the 34th day following the expiration of the initial 180-day Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the 180-day Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

[Signature Page Follows]

Very truly yours,

Signature: _____

Print Name: _____

(Signature Page to Investor Lock-Up Agreement)

Exhibit F

Order of Mergers

Each step within each "Transaction Step" below must be completed before the transactions in the following "Transaction Step" may be completed. All transactions within each "Transaction Step" may be completed simultaneously or in any order.

Transaction Step 1

All Forward REIT Mergers
All REIT Sub Forward Mergers

Transaction Step 2

All Contributions to the OP (including the REIT's contribution to the OP of the assets acquired in Step 1)

Transaction Step 3

All Contributions to subsidiaries of the OP (including, where applicable, the OP's contribution to the applicable subsidiary of assets acquired in Step 2)

Transaction Step 4

All OP Forward Mergers ***except*** the OP Forward Merger set forth in Transaction Step 5 and Transaction Step 7 below

Transaction Step 5

Forward Merger of Desert Hillside Holdings LLC with and into the Operating Partnership

Transaction Step 6

All OP Sub Forward Mergers ***except*** the OP Sub Forward Merger set forth in Transaction Step 7 below

Transaction Step 7

Forward Merger of BWH Holdings LLC with and into the Operating Partnership

Forward Merger of Desert Oceanside Holdings LLC with and into Pacific Oceanside Holdings LLC.

Transaction Step 8

All OP Sub Reverse Mergers

AGREEMENT AND PLAN OF MERGER

DATED AS OF SEPTEMBER 13, 2010

BY AND AMONG

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

[OP SUB REVERSE MERGER ENTITY MERGER SUB]
a [_____]

AND

[OP SUB REVERSE MERGER ENTITY]
a [_____]

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of September 13, 2010, by and among American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership") and a subsidiary of American Assets Trust, Inc., a Maryland corporation (the "REIT"), **[OP Sub Reverse Merger Entity]**, a **[_____]** (the "SPE"), and **[OP Sub Reverse Merger Entity Merger Sub]**, a Delaware limited liability company to be formed prior to the Effective Time (defined below) and to be wholly-owned by the Operating Partnership ("Merger Sub").

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities each as described on Schedule I hereto;

WHEREAS, concurrently with the execution of this Agreement, each of the entities identified on Schedule I hereto as "Forward REIT Merger Entities" (the "Forward REIT Merger Entities") will enter into an agreement and plan of merger with the REIT pursuant to which each such Forward REIT Merger Entity will merge with and into the REIT and the equity interest in each Forward REIT Merger Entity will be converted automatically into the right to receive cash, without interest, or shares of common stock of the REIT, par value $.01 per share (the "REIT Shares");

WHEREAS, concurrently with the execution of this Agreement, the REIT will enter into agreements and plans of merger with certain American Assets Entities identified as "REIT Sub Forward Merger Entities" on Schedule I hereto (the "REIT Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each of the REIT Sub Forward Merger Entities will merge with and into wholly owned subsidiaries of the REIT;

WHEREAS, immediately following the completion of the mergers described in the preceding paragraphs, the REIT will contribute to the Operating Partnership, (i) all of the assets, rights and obligations of the Forward REIT Merger Entities acquired by the REIT as a result of the mergers between it and the Forward REIT Merger Entities and (ii) all of the REIT's interests in the surviving entities of the mergers of the REIT Sub Forward Merger Entities with and into wholly owned subsidiaries of the REIT;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, will enter into a contribution agreement with certain holders (the "Contributors") of interests in certain American Assets Entities identified as "Contributed Entities" on Schedule I hereto, pursuant to which, immediately following the completion of the mergers and contributions described in the preceding paragraphs, each Contributor shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, respectively, all of the Contributor's interests in the applicable American Assets Entity (the "Contributed Interest"), and the Operating Partnership, or such subsidiary, as applicable, shall acquire from each Contributor all of each Contributor's right, title and interest as a holder of the Contributed Interests;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into an agreement and plan of merger with certain American Assets Entities identified as "Forward OP Merger Entities" on Schedule I hereto (collectively, the "Forward OP Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each Forward OP Merger Entity will merge with and into the Operating Partnership in the order set forth in the merger agreement for such entities;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Forward Merger Entities" on Schedule I hereto (collectively, the "OP Sub Forward Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraph, each OP Sub Forward Merger Entity will merge with and into a separate wholly owned subsidiary of the Operating Partnership;

WHEREAS, pursuant to this Agreement, immediately following the mergers identified in the preceding paragraph, the Merger Sub will merge with and into the SPE, with the SPE as the surviving entity (the "Merger"), pursuant to which each membership interest in the SPE (the "SPE Equity Interest") will be converted automatically as set forth herein into the right to receive cash, without interest, common units of partnership interest in the Operating Partnership (the "OP Units"), REIT Shares, or a combination of the foregoing;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain other American Assets Entities identified as "OP Sub Reverse Merger Entities" on Schedule I hereto (collectively with the SPE, the "OP Sub Reverse Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, a separate wholly-owned subsidiary of the Operating Partnership will merge with and into each OP Sub Reverse Merger Entity;

WHEREAS, in lieu of one or more of the mergers described in the preceding paragraphs and at the same time as such mergers would have otherwise occurred, certain holders (the "Consenting Holders") of interests in certain American Assets Entities shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, all of their interests in the applicable American Assets Entity, and the Operating Partnership or such subsidiary shall acquire from each Consenting Holder, all of each Consenting Holder's right, title and interest as a holder of interests in such American Assets Entities;

WHEREAS, the Formation Transactions relate to the proposed initial public offering (the "IPO") of the REIT Shares, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code;

WHEREAS, in accordance with applicable Law, the Merger Sub may be merged with another entity, subject to the requisite approval of the members as required by applicable Law;

WHEREAS, the REIT, as the general partner of the Operating Partnership, has approved and authorized the Merger and the other Formation Transactions in accordance with the Maryland Revised Uniform Limited Partnership Act (the "MLPA") and the Operating Partnership Agreement;

WHEREAS, the managing member, manager, board of directors or general partner, as applicable, of the SPE has determined that it is advisable and in the best interests of the SPE, and its equity holders to proceed with the Merger and the other Formation Transactions on the terms described in this Agreement; and

WHEREAS, the SPE has obtained the requisite approval of its equity holders (and lenders, as applicable) to the Merger and the other Formation Transactions, applicable to the SPE.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I
THE MERGER

Section 1.01 THE MERGER. At the Effective Time (as defined below) in the order specified in Exhibit F, and subject to and upon the terms and conditions of this Agreement and in accordance with applicable Laws, Merger Sub shall be merged with and into the SPE, whereby the separate existence of Merger Sub shall cease, and the SPE shall continue its existence under [ ] law as the surviving entity (hereinafter sometimes referred to as the "Surviving Entity").

Section 1.02 EFFECTIVE TIME. Subject to and upon the terms and conditions of this Agreement, concurrently with or as soon as practicable after (i) the execution by the REIT and the Operating Partnership of the Underwriting Agreement and (ii) the satisfaction or waiver of the conditions set forth in Article VII, the Merger Sub and the SPE shall file a certificate of merger or similar document with respect to the Merger (the "Certificate of Merger") as may be required by applicable Law with the Secretary of State of each applicable jurisdiction, providing that the Merger shall become effective upon filing or at such later date and time set forth in the Certificate of Merger that is not more than thirty (30) days after the acceptance of such Certificate of Merger by the Secretary of State of the applicable jurisdiction for record (the "Effective Time"), together with any certificates and other filings or recordings related thereto, in such forms as are required by, and executed in accordance with, the relevant provisions of applicable laws.

Section 1.03 EFFECT OF THE MERGER. At the Effective Time, which shall be in the order specified in Exhibit F, the effect of the Merger shall be as provided in this Agreement, the Certificate of Merger and applicable Laws.

Section 1.04 ORGANIZATIONAL DOCUMENTS. At the Effective Time, the Organizational Documents of the Merger Sub, as in effect immediately prior to the Effective Time, shall be the Organizational Documents of the Surviving Entity until thereafter amended as provided therein or in accordance with applicable Law.

Section 1.05 CONVERSION OF SPE EQUITY INTERESTS.

(a) Under and subject to the terms and conditions of the respective Formation Transaction Documentation, as the result of an irrevocable election indicated on a Consent Form submitted by a Pre-Formation Participant or as a result of the failure of a Pre-Formation Participant to submit a Consent Form, each Pre-Formation Participant is irrevocably bound to accept and entitled to receive, as a result of and upon consummation of the Merger or other Formation Transactions, a specified share of the sponsors' value of the American Assets Entities as a whole in the form of the right to receive cash, REIT Shares and/or OP Units as calculated in Section 1.05(b).

(b) At the Effective Time, by virtue of the Merger and without any action on the part of the Operating Partnership, the SPE or the holders of any interest in the SPE, except as set forth in Section 1.05(c), each SPE Equity Interest shall be converted automatically into the right to receive cash, OP Units and/or REIT Shares with an aggregate value equal to the portion of Equity Value represented by such SPE Equity Interest (collectively referred to as the "Merger Consideration") and each holder that receives OP Units in the Merger shall upon receipt of such OP Units and the delivery of a Consent Form or a counterpart signature page to the Operating Partnership Agreement and such other documents and instruments as may be required in the sole discretion of the REIT to effect such holder's admission as a limited partner of the Operating Partnership, be admitted as a limited partner of the Operating Partnership in accordance with the MLPA and the Operating Partnership Agreement.

Subject to Section 1.07 and Section 2.02(c), the amount of cash, number of OP Units and/or REIT Shares comprising the Merger Consideration for each SPE Equity Interest so converted shall be as follows:

(i) Cash: One hundred percent (100%) of the Allocated Share for each SPE Equity Interest held by a Pre-Formation Participant who is not an Accredited Investor shall be paid in cash.

(ii) OP Units. The Elected OP Unit Percentage of the Allocated Share for each SPE Equity Interest or portion thereof held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of OP Units equal to the applicable portion of such Allocated Share divided by the IPO Price.

(iii) REIT Shares. The Elected REIT Shares Percentage of the Allocated Share for each SPE Equity Interest or portion thereof held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of REIT Shares equal to the applicable portion of such Allocated Share divided by the IPO Price; *provided* that, to the extent such distribution of REIT Shares to the holder of the SPE Equity Interests would result in a violation of the restrictions on ownership and transfer set forth in Section 6.3 of the REIT's charter (the "Ownership Limits"), such holder shall receive (x) the maximum number of whole REIT Shares that would not result in a violation of the Ownership Limits, and (y) that number of OP Units equal to the remaining number of REIT Shares not distributed as a result of the application of the foregoing clause (x).

(c) Each SPE Equity Interest issued and outstanding immediately prior to the Effective Time that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries (having been previously acquired by the REIT, the Operating Partnership or any such Subsidiary thereof pursuant to the other Formation Transactions) shall remain issued and outstanding, and no consideration shall be delivered hereunder in exchange therefor.

Section 1.06 CANCELLATION AND RETIREMENT OF SPE EQUITY INTERESTS. From and after the Effective Time, (i) each SPE Equity Interest converted into the right to receive the Merger Consideration pursuant to Section 1.05(b) shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of such SPE Equity Interest so converted shall thereafter cease to have any rights as an equity holder of the SPE, except the right to receive the Merger Consideration applicable thereto, and (ii) each SPE Equity Interest issued and outstanding that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist and no consideration shall be delivered hereunder in exchange therefor.

Section 1.07 FRACTIONAL INTERESTS. No fractional OP Units or REIT Shares shall be issued in the Merger. All fractional OP Units that a holder of SPE Equity Interests would otherwise be entitled to receive as a result of the Merger and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole OP Units resulting from such aggregation and, in lieu of any fractional OP Unit resulting from such aggregation, an amount in cash determined by multiplying that fraction of an OP Unit to which such holder would otherwise have been entitled, by the IPO Price. All fractional REIT Shares that a holder of SPE Equity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole REIT Shares resulting from such aggregation and, in lieu of any fractional REIT Share resulting from such aggregation, an amount in cash determined by multiplying that fraction of a REIT Share to which such holder would otherwise have been entitled, by the IPO Price. No interest will be paid or will accrue on any cash paid or payable in lieu of any fractional OP Unit or REIT Share.

Section 1.08 CALCULATION OF MERGER CONSIDERATION.

(a) As soon as practicable following the determination of the IPO Price and prior to the Effective Time, all calculations relating to the Merger Consideration shall be performed in good faith by, or under the direction of, the REIT, and, absent manifest error, shall be final and binding upon the holders of SPE Equity Interests.

Section 1.09 TRANSACTION COSTS. If the Closing occurs, the REIT and the Operating Partnership shall be solely responsible for all transaction costs and expenses of the REIT, the Operating Partnership and the American Assets Entities in connection with the Formation Transactions and the IPO, which include, but are not limited to, the underwriting discounts and commissions. In the event the Closing does not occur, such costs and expenses shall be paid in accordance with the terms of that certain letter agreement entered into by the Property Entities (as defined therein) and American Assets, Inc., a California corporation, dated as of May 17, 2010.

ARTICLE II
CLOSING; TERM OF AGREEMENT

Section 2.01 CLOSING. Unless this Agreement shall have been terminated pursuant to Section 2.05, and subject to the satisfaction or waiver of the conditions in Article VII, the filing of the Certificate of Merger, the Effective Time and the closing of the other transactions contemplated by this Agreement shall occur substantially concurrently with the receipt by the REIT of the proceeds from the IPO from the underwriters (the "Closing" or the "Closing Date") in the order set forth on Exhibit F. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400 San Diego, California 92130 or such other place as determined by the REIT in its sole discretion. The Closing hereunder and the closing of the IPO shall be deemed concurrent for all purposes.

Section 2.02 PAYMENT OF MERGER CONSIDERATION.

(a) As soon as reasonably practicable after the Effective Time, the Surviving Entity (or its successor in interest) shall deliver to each holder of SPE Equity Interests, whose SPE Equity Interests have been converted into the right to receive the Merger Consideration pursuant to Section 1.05(a) hereof, the Merger Consideration payable to such holder in the amounts and form provided in Section 1.05(a) hereof. The issuance of the OP Units and admission of the recipients thereof as limited partners of the Operating Partnership pursuant to Section 1.05(a) shall be evidenced by an amendment to Exhibit A to the Operating Partnership Agreement, and the Operating Partnership shall deliver, or cause to be delivered, an executed copy of such amendment to each Pre-Formation Participant receiving OP Units hereunder. Any certificate representing REIT Shares issuable as Merger Consideration shall bear the following legend:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS THE TRANSFEROR DELIVERS TO THE CORPORATION AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.
>
> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND

EXCEPT AS EXPRESSLY PROVIDED IN THE CORPORATION'S CHARTER, (I) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S COMMON STOCK IN EXCESS OF [__]% (IN VALUE OR NUMBER OF SHARES) OF THE OUTSTANDING SHARES OF COMMON STOCK OF THE CORPORATION UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (II) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK OF THE CORPORATION IN EXCESS OF [__]% OF THE VALUE OF THE TOTAL OUTSTANDING SHARES OF CAPITAL STOCK OF THE CORPORATION, UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (III) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN CAPITAL STOCK THAT WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (IV) NO PERSON MAY TRANSFER SHARES OF CAPITAL STOCK IF SUCH TRANSFER WOULD RESULT IN THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK IN EXCESS OR IN VIOLATION OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP SET FORTH IN (I) THROUGH (III) ABOVE ARE VIOLATED, THE SHARES OF CAPITAL STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY TAKE OTHER ACTIONS, INCLUDING REDEEMING SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID *AB INITIO*. ALL UNDERLINED TERMS IN THIS LEGEND HAVE THE MEANINGS DEFINED IN THE CHARTER OF THE CORPORATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF CAPITAL STOCK OF THE CORPORATION ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

(b) The Surviving Entity (or its successor in interest) shall not be liable to any holder of an SPE Equity Interests for any portion of the Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(c) So long as some portion of the Merger Consideration with respect to an American Assets Entity is in the form of OP Units, the parties hereto intend and agree that, for United States federal income tax purposes, the Merger of such entity shall constitute an "assets-over" partnership merger within the meaning of Treasury Regulations Section 1.708-1(c)(3)(i), and, as a result, that (i) any payment of cash or REIT Shares for SPE Equity Interests of such holder in such entity shall be treated as a sale of such SPE Equity Interests by the holder and a purchase of such SPE Equity Interests by the Operating Partnership for the cash and/or REIT Shares so paid under the terms of this Agreement in accordance with Treasury Regulations Section 1.708-1(c)(4), and (ii) each such holder of SPE Equity Interests who accepts cash and/or REIT Shares shall explicitly agree and consent (the "Sale Consent") to such treatment in their Consent Form as a condition to electing such consideration. To the extent the Operating Partnership acquires any SPE Equity Interests as described above, or previously acquired such interest, for United States federal income tax purposes the receipt by the Operating Partnership of the portion of property attributable to such SPE Equity Interests shall be treated as a distribution by the SPE Equity in redemption of such SPE Equity Interests. Notwithstanding Section 1.05(a) and any holder's election as to the form of their Merger Consideration, if any holder (other than a non-accredited investor) fails to execute a Sale Consent prior to the Closing, such holder's Merger Consideration shall consist solely of OP Units. Any cash paid as the Merger Consideration to a non-accredited investor for an SPE Equity Interests shall be paid only after the receipt of a Sale Consent from such holder.

Section 2.03 TAX WITHHOLDING. The Operating Partnership, Merger Sub and the SPE, as applicable, shall be entitled to deduct and withhold from the consideration payable pursuant to this Agreement to any holder of SPE Equity Interests such amounts required to be deducted and withheld with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the SPE Equity Interests in respect of which such deduction and withholding was made.

Section 2.04 FURTHER ACTION. If, at any time after the Effective Time, the Surviving Entity shall determine or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Entity the right, title or interest in, to or under any of the rights, properties or assets of the SPE acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the Surviving Entity shall be authorized to execute and deliver, in the name and on behalf of the SPE or otherwise, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of the SPE or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Entity or otherwise to carry out this Agreement.

Section 2.05 TERM OF THE AGREEMENT. This Agreement shall terminate automatically if (i) the initial registration statement of the REIT for the IPO (the "Registration Statement") has not been filed with the Securities and Exchange Commission ("SEC") by March 31, 2011, or (ii) the Merger shall not have been consummated on or prior to December 31, 2011 (such date is hereinafter referred to as the "Outside Date").

Section 2.06 EFFECT OF TERMINATION. In the event of termination of this Agreement for any reason, all obligations on the part of the Operating Partnership, the Merger Sub and the SPE under this Agreement shall terminate, except that the obligations set forth in Article VIII shall survive; it being understood and agreed, however, for the avoidance of doubt, that if this Agreement is terminated because one or more of the conditions to a non-breaching party's obligations under this Agreement are not satisfied by the Outside Date as a result of the other party's material breach of a covenant, representation, warranty or other obligation under this Agreement or any other Formation Transaction Documentation, the non-breaching party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE OPERATING PARTNERSHIP AND MERGER SUB

Each of the Operating Partnership and Merger Sub hereby represents and warrants to the SPE as follows:

Section 3.01 ORGANIZATION; AUTHORITY.

(a) Each of the Operating Partnership and Merger Sub has been duly incorporated or formed and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation, as applicable, and upon the effectiveness of the Operating Partnership Agreement, will have all requisite power and authority to enter into this Agreement and the other Formation Transaction Documentation and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate its property and to carry on its business as presently conducted and each of the Operating Partnership and Merger Sub, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

(b) Schedule 3.01(b) sets forth as of the date hereof, (i) each Subsidiary of the Operating Partnership (each an "Operating Partnership Subsidiary"), (ii) the ownership interest therein of the Operating Partnership, and (iii) if not wholly owned by the Operating Partnership, the identity and ownership interest of each of the other owners of such Operating Partnership Subsidiary. Each Operating Partnership Subsidiary has been duly organized or formed and is validly existing and is in good standing under the Laws of its jurisdiction of organization or formation, as applicable, has all requisite power and authority to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which

the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.02 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Formation Transaction Documentation (including each agreement, document and instrument executed and delivered by or on behalf of the Operating Partnership and Merger Sub pursuant to this Agreement or the other Formation Transaction Documentation) by the Operating Partnership and Merger Sub, have been duly and validly authorized by all necessary actions required of each of the Operating Partnership and Merger Sub, respectively. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of each of the Operating Partnership and Merger Sub pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of each of the Operating Partnership and Merger Sub, each enforceable against each of the Operating Partnership and Merger Sub, in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 3.03 CONSENTS AND APPROVALS. Except for the filing of the Certificate of Merger in accordance with Section 1.02 hereof or in connection with the IPO and the consummation of the other Formation Transactions, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by the Operating Partnership or Merger Sub in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby, except for (i) those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect, or (ii) those consents of the Pre-Formation Participants under the organizational documents of the applicable American Assets Entity, the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.04 NO VIOLATION. None of the execution, delivery or performance of this Agreement, the other Formation Transaction Documentation, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of any of the Operating Partnership or Merger Sub, (B) any agreement, document or instrument to which the Operating Partnership or Merger Sub or any of their respective assets are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on any of the Operating Partnership or Merger Sub, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.05 VALIDITY OF OP UNITS. Any OP Units to be issued pursuant to this Agreement will have been duly authorized and, when issued against the consideration therefor, will be validly issued by the Operating Partnership, free and clear of all Liens created by the Operating Partnership (other than any Liens created by the Operating Partnership Agreement).

Section 3.06 OPERATING PARTNERSHIP AGREEMENT. Attached as Exhibit C hereto is a true and correct copy of the Operating Partnership Agreement in substantially final form.

Section 3.07 LIMITED ACTIVITIES. Except for activities in connection with the IPO, the Formation Transactions or in the ordinary course of business, neither the Operating Partnership, the Operating Partnership Subsidiaries nor the Merger Sub has engaged in any material business or incurred any material obligations.

Section 3.08 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, there is no action, suit or proceeding pending or, to the knowledge of the Operating Partnership or Merger Sub, threatened against the Operating Partnership or any Operating Partnership Subsidiary, other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation of the Operating Partnership, that individually or in the aggregate, would not reasonably be expected, (a) if adversely determined, to have an OP Material Adverse Effect, or (b) to challenge or impair the ability of the Operating Partnership or Merger Sub to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby to such extents as would result in an OP Material Adverse Effect.

Section 3.09 NO BROKER. Neither the Operating Partnership nor the Merger Sub has entered into, each of the Operating Partnership and the Merger Sub covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the SPE or any Affiliates thereof to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 3.10 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article III, the Operating Partnership and Merger Sub shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby. All representations, warranties and covenants of the Operating Partnership and Merger Sub contained in this Agreement shall expire at the Closing.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SPE

Except as disclosed in the Prospectus or the schedules attached hereto, the SPE represents and warrants to the Operating Partnership that the following statements are true and correct as of the Closing Date:

Section 4.01 ORGANIZATION; AUTHORITY.

(a) The SPE has been duly organized and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation, and has all requisite power and authority to enter into this Agreement, each agreement contemplated hereby and the other Formation Transaction Documentation to which it is a party (including any agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation) and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate any Property owned, leased and/or operated by it and to carry on its business as presently conducted. The SPE, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of a Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

(b) Schedule 4.01(b) sets forth as of the date hereof with respect to the SPE (i) each Subsidiary of the SPE (each an "SPE Subsidiary"), (ii) the ownership interest therein of the SPE, (iii) if not wholly owned by the SPE, the identity and ownership interest of each of the other owners of such Subsidiary, and (iv) each property owned by the SPE or such Subsidiary or leased pursuant to a ground lease by the SPE of such Subsidiary (each a "Property"). Each SPE Subsidiary has been duly organized and is validly existing and is in good standing under the Laws of its jurisdiction of organization, and has all requisite power and authority to own, lease and/or operate its Property and to carry on its business as presently conducted. Each SPE Subsidiary, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.02 DUE AUTHORIZATION. The execution, delivery and performance by the SPE of this Agreement and the other Formation Transaction Documentation (including any agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation) to which it is a party have been duly and validly authorized by all necessary actions required of the SPE. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of the SPE, each enforceable against the SPE in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.03 CAPITALIZATION. Schedule 4.03 sets forth as of the date hereof the ownership of the SPE. All of the issued and outstanding equity interests of the SPE and each SPE Subsidiary are duly authorized, validly issued and fully paid; and, to the knowledge of the SPE, are not subject to preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights under the organizational documents of or any contract to which the SPE is a party or otherwise bound, except for such preemptive rights, transfer restrictions, or appraisal,

dissenters' or other similar rights as would not prevent the Merger. There are no outstanding rights to purchase, subscriptions, warrants, options or any other security convertible into or exchangeable for equity interests in the SPE or its SPE Subsidiaries.

Section 4.04 CONSENTS AND APPROVALS. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or any Governmental Authority or under any applicable Laws is required to be obtained by the SPE or any of the SPE Subsidiaries in connection with the execution, delivery and performance of this Agreement, the other Formation Transaction Documentation to which the SPE or any of the SPE Subsidiaries is a party and the transactions contemplated hereby and thereby, except for those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.05 NO VIOLATION. None of the execution, delivery or performance of this Agreement, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of the SPE or any SPE Subsidiary (B) any agreement, document or instrument to which the SPE or any SPE Subsidiary or any of their respective assets or properties are bound by or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on the SPE or any SPE Subsidiary, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.06 LICENSES AND PERMITS. To the knowledge of the SPE, all notices, licenses, permits, certificates and authorizations required for the continued use, occupancy, management, leasing and operation of the Properties have been obtained or can be obtained without material cost, are in full force and effect, are in good standing and (to the extent required in connection with the transactions contemplated by the Formation Transaction Documentation) are assignable to the Merger Sub, except in each case for items that, if not so obtained, obtainable and/or transferred, would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect. To the knowledge of the SPE, neither the SPE, nor any SPE Subsidiary, nor any third party has taken any action that (or failed to take any action the omission of which) would result in the revocation of any such notice, license, permit, certificate or authorization where such revocation or revocations would, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, nor has any one of them received any written notice of violation from any Governmental Authority or written notice of the intention of any entity to revoke any such notice, license, permit, certificate or authorization, that in each case has not been cured or otherwise resolved to the satisfaction of such Governmental Authority or other entity and except as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.07 COMPLIANCE WITH LAWS. To the knowledge of the SPE, the SPE and each SPE Subsidiary have conducted their respective businesses in compliance with all applicable Laws, except for such failures that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect. To the knowledge of the SPE, neither the SPE, nor any SPE Subsidiary nor any third party has been informed in writing of any continuing violation of any such Laws or that any investigation has been commenced and is continuing or is contemplated respecting any such possible violation, except in each case for violations that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.08 PROPERTIES.

(a) Except as set forth in Schedule 4.08(a), the SPE or an SPE Subsidiary is the insured under a policy of title insurance as the owner of, and, to the knowledge of the SPE, the SPE or an SPE Subsidiary is the owner of, the fee simple estate (or, in the case of certain Properties, the leasehold estate or the tenancy-in-common estate) to the Property owned by the SPE or an SPE Subsidiary, in each case free and clear of all Liens except for Permitted Liens. Prior to the effective time of the merger contemplated hereby, neither the SPE nor any SPE Subsidiary shall take or omit to take any action to cause any Lien to attach to any Property, except for Permitted Liens and Liens, if any, given to secure mortgage indebtedness encumbering such Property.

(b) Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, to the knowledge of the SPE, (1) neither the SPE, nor any SPE Subsidiary, nor any other party to any material agreement affecting any Property (other than a Lease (as such term is hereinafter defined) for space within such Property), is in breach or default of any such agreement, (2) no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any such agreement, or would, individually or together with all such other events, reasonably be expected to cause the acceleration of any material obligation of any party thereto or the creation of a Lien upon any asset of the SPE or any SPE Subsidiary, except for Permitted Liens, and (3) all agreements affecting any Property required for the continued use, occupancy, management, leasing and operation of such Property (exclusive of space Leases) are valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

(c) To the knowledge of the SPE, as presently conducted, none of the operation of the buildings, fixtures and other improvements comprising a part of the Properties is in violation of any applicable building code, zoning ordinance or other "land use" Law, except for such violations that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

(d) Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, (1) to the knowledge of the SPE, neither the SPE, nor its SPE Subsidiary, nor any other party to any Lease, is in breach or default of any such Lease, (2) to the knowledge of the SPE, no event has occurred or has been

threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any Lease, or would permit termination, modification or acceleration under such Lease, and (3) to the knowledge of the SPE each of the leases (and all amendments thereto or modifications thereof) to which the SPE or any SPE Subsidiary is a party or by which the SPE or any SPE Subsidiary or any Property is bound or subject (collectively, the "Leases") is valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.09 INSURANCE. The SPE or an SPE Subsidiary has in place the public liability, casualty and other insurance coverage with respect to each Property owned, leased and/or managed by it as the SPE reasonably deems necessary and in all cases including such coverage as is required under the terms of any continuing loan or Lease. Each of the insurance policies with respect to each Property is in full force and effect in all material respects and all premiums due and payable thereunder have been fully paid when due. To the knowledge of the SPE, neither the SPE nor any SPE Subsidiary has received from any insurance company any notices of cancellation or intent to cancel any insurance.

Section 4.10 ENVIRONMENTAL MATTERS. Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, to the knowledge of the SPE, (A) the SPE and the SPE Subsidiaries are in compliance with all Environmental Laws, (B) neither the SPE nor any SPE Subsidiary have received any written notice from any Governmental Authority or third party alleging that the SPE, any SPE Subsidiary or any Property is not in compliance with applicable Environmental Laws, and (C) there has not been a release of a hazardous substance on any of the Properties that would require investigation or remediation under applicable Environmental Laws. The representations and warranties contained in this Section 4.10 constitute the sole and exclusive representations and warranties made by the SPE concerning environmental matters.

Section 4.11 EMINENT DOMAIN. There is no existing or, to the knowledge of the SPE, proposed or threatened condemnation, eminent domain or similar proceeding, or private purchase in lieu of such a proceeding which would affect any of the Properties, except for such proceedings that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.12 EXISTING LOANS. Schedule 4.12 lists, as of the date hereof, all secured loans presently encumbering the Properties or any direct or indirect interest in the SPE, and any unsecured loans relating thereto to be assumed by the Operating Partnership or any Subsidiary of the Operating Partnership at Closing, as of the date hereof (the "Disclosed Loans").

Section 4.13 FRANCHISE AGREEMENTS. To the knowledge of the SPE, the hotel franchise agreement set forth on Schedule 4.13 ("Franchise Agreement") is the only hotel franchise agreement in effect for any Property. Except as set forth on Schedule 4.13, neither the SPE nor any of SPE Subsidiary, nor, to the knowledge of the SPE, any other party to the Franchise Agreement, is in breach or default of the Franchise Agreement, except for such breach or default that would not, individually or in the aggregate, reasonably be expected to have an SPE Merger Entity Material Adverse Effect.

Section 4.14 FINANCIAL STATEMENTS. The financial statements of the SPE included in the Prospectus have been prepared in all material respects in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), subject, in the case of unaudited statements, to normal year-end audit adjustments, and fairly present in all material respects the financial condition and results of operations of the SPE as of the dates indicated therein and for the periods ended as indicated therein.

Section 4.15 TAXES. Except as set forth in Section 4.15, (i) the SPE and each of the SPE Subsidiaries have timely and properly filed all Tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Authority having authority to do so) and all such returns and reports are accurate and complete in all material respects, and has paid (or had paid on its behalf) all Taxes as required to be paid by it, (ii) no income or material non-income Tax returns filed by the SPE or any SPE Subsidiaries are the subject of a pending or ongoing audit, and (iii) except as would not have an SPE Material Adverse Effect, no deficiencies for any Taxes have been proposed, asserted or assessed against the SPE or any of the SPE Subsidiaries, and no requests for waivers of the time to assess any such Taxes are pending. Except as set forth in Schedule 4.15, since its formation, for U.S. federal income tax purposes, the SPE has been treated as a partnership, or an entity disregarded from a partnership, and not as a corporation or an association taxable as a corporation, and each of the SPE Subsidiaries has been treated as a partnership or disregarded entity and not as a corporation or an association taxable as a corporation.

Section 4.16 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, to the knowledge of the SPE, there is no action, suit or proceeding pending or, to the knowledge of the SPE, threatened against or affecting the SPE or any SPE Subsidiary, or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation, which, if adversely determined, would not have an SPE Material Adverse Effect. There is no action, suit, or proceeding pending or, to the knowledge of the SPE, threatened against or affecting the SPE, any SPE Subsidiary or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing which challenges or impairs the ability of the SPE to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby. Except for matters covered by insurance, there is no judgment, decree, injunction, rule or order of a Governmental Authority outstanding against the SPE, any SPE Subsidiary or any officer, director, principal, managing member or general partner of any of the foregoing in their capacity as such which, would reasonably be expected to have an SPE Material Adverse Effect.

Section 4.17 NO INSOLVENCY PROCEEDINGS. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to the SPE's knowledge, threatened against the SPE, nor are any such proceedings contemplated by the SPE.

Section 4.18 SECURITIES LAW MATTERS. The SPE acknowledges that: (i) the REIT and Operating Partnership intend the offer and issuance of any REIT Shares or OP Units to

any Pre-Formation Participants to be exempt from registration under the Securities Act and applicable state securities laws by virtue of the status of such equity holder as an "accredited investor" (within the meaning of Rule 501(a) of Regulation D under the Securities Act) acquiring any REIT Shares or OP Units in a transaction exempt from registration pursuant to Rule 506 of Regulation D under the Securities Act, and (ii) in issuing any REIT Shares or OP Units pursuant to the terms of this Agreement, the REIT and Operating Partnership are relying on the representations made by each equity holder electing to receive REIT Shares or OP Units as consideration in the Merger, which representations were set forth in Appendix D to the Request for Consent - Accredited Investor Representations Letter.

Section 4.19 NO BROKER. The SPE has not entered into, and it covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the Operating Partnership or any Affiliate to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 4.20 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article IV and any other agreement entered into in connection with the Formation Transactions to which it is a party, the SPE shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby.

Section 4.21 OWNERSHIP OF CERTAIN ASSETS. Except as set forth in Section 4.21, neither the SPE nor any SPE Subsidiary owns any loan assets or other securities of any issuer except for equity interests in other American Assets Entities.

Section 4.22 SURVIVAL OF REPRESENTATIONS AND WARRANTIES OF THE SPE. The parties hereto agree and acknowledge that the representations and warranties set forth in this Article IV (other than Section 4.01, Section 4.02, Section 4.03, Section 4.18 and Section 4.23) shall not survive the Closing.

Section 4.23 NON-FOREIGN STATUS. Neither the SPE nor any SPE Subsidiary is a foreign person (as defined in the Code).

ARTICLE V
COVENANTS AND OTHER AGREEMENTS

Section 5.01 PRE-CLOSING COVENANTS. During the period from the date hereof to the Closing Date (except as otherwise provided for or contemplated by this Agreement or in connection with the Formation Transactions), the SPE shall use commercially reasonable efforts to (and shall cause each of the SPE Subsidiaries to) conduct its businesses and operate and maintain the Properties in the ordinary course of business consistent with past practice, pay its debt obligations as they become due and payable, and use commercially reasonable efforts to preserve intact its current business organizations and preserve its relationships with customers, tenants, suppliers, advertisers and others having business dealings with it, in each case consistent with past practice. In addition, and without limiting the generality of the foregoing, during the

period from the date hereof to the Closing Date and except in connection with the Formation Transactions, the SPE shall not (and shall not permit any of the SPE Subsidiaries to) without the prior written consent of the Operating Partnership, which consent may be withheld by the Operating Partnership in its sole discretion:

(a)(i) other than distributions to the equity holders of the SPE in connection with such holders' payment of any Taxes related to their ownership of the equity of the SPE or as otherwise contemplated by this Agreement, declare, set aside or pay any dividends or distributions in respect of any of the SPE Equity Interests, except in the ordinary course of business consistent with past practice and in accordance with the SPE's applicable Organizational Documents, (ii) issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any SPE Equity Interests or make any other changes to the equity capital structure of the SPE or any SPE Subsidiary, or (iii) purchase, redeem or otherwise acquire any SPE Equity Interests or equity interests of any of the SPE Subsidiaries or any other securities thereof;

(b) issue, deliver, sell, transfer, dispose, mortgage, pledge, assign or otherwise encumber, or cause the issuance, delivery, sale, transfer, disposition, mortgage, pledge, assignment or otherwise encumbrance of, any limited liability company, partnership interests or other equity interests in the SPE or any of the SPE Subsidiaries or any other assets of the SPE or the SPE Subsidiaries;

(c) amend, modify or terminate any lease, contract or other instruments relating to the Property, except in the ordinary course of business consistent with past practice;

(d) amend its Organizational Documents;

(e) adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(f) materially alter the manner of keeping such SPE or SPE Subsidiary's books, accounts or records or the accounting practices therein reflected;

(g) file an entity classification election pursuant to Treasury Regulation Section 301.7701-3(c) on Internal Revenue Service Form 8832 (Entity Classification Election) to treat the SPE or any of its SPE Subsidiaries as an association taxable as a corporation for United States federal income tax purposes; make or change any other Tax elections; settle or compromise any claim, notice, audit report or assessment in respect of Taxes; change any annual Tax accounting period; adopt or change any method of Tax accounting; file any amended Tax return; enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any Tax; surrender of any right to claim a Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment;

(h) terminate or amend any existing insurance policies affecting any Property that results in a material reduction in insurance coverage for the Property;

(i) knowingly cause or permit the SPE to violate, or fail to use commercially reasonable efforts to cure any violation of, any applicable Laws; or

(j) authorize, commit or agree to take any of the foregoing actions.

Section 5.02 CONSENT AND WAIVER OF RIGHTS UNDER ORGANIZATIONAL DOCUMENTS. As of the Closing, the SPE waives and relinquishes all rights and benefits otherwise afforded to the SPE (a) under its Organizational Documents including, without limitation, any rights of appraisal, rights of first offer or first refusal, buy/sell agreements, put, option or similar parallel exit or dissenter rights in connection with the Formation Transactions and the IPO and any right to consent to or approve of the sale or contribution or other transaction undertaken by any equity holder of the SPE of their SPE Equity Interests to the Operating Partnership or any Affiliate thereof and any and all notice provisions related thereto and (b) for claims against the REIT or the Operating Partnership for breach by any of their respective present or former officers, directors, managing members, general partners or Affiliates of their fiduciary duties or similar obligations (including duties of disclosure) to any of their respective present or former shareholders, members, partners, equity interest holders or Affiliates. The SPE acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the Organizational Documents of the SPE or other agreements among one or more holders of such SPE Equity Interests or one or more of the equity holders of the SPE. With respect to the SPE and each Property in which an SPE Equity Interest of the SPE represents a direct or indirect interest, the SPE expressly gives all consents (and any consents necessary to authorize the proper parties in interest to give all consents) and waivers it is entitled to give that are necessary or desirable to facilitate the contribution or other Formation Transactions relating to the SPE or such Property. In addition, if the transactions contemplated hereby occur, this Agreement shall be deemed to be an amendment to the Organizational Documents of the SPE to the extent the terms herein conflict with the terms thereof, including without limitation, terms with respect to allocations, distributions and the like. In the event the transactions contemplated by this Agreement do not occur, nothing in this Agreement shall be deemed to be or construed as an amendment or modification of, or commitment of any kind to amend or modify, the Organizational Documents of the SPE, which shall remain in full force and effect without modification.

Section 5.03 EXCLUDED ASSETS. Prior to or, as specified on Schedule 5.03, as soon as possible following the Closing and after such amounts are reasonably determinable, the SPE shall distribute or cause to be distributed or paid out the assets identified on Schedule 5.03 (the "Excluded Assets").

ARTICLE VI
ADDITIONAL AGREEMENTS

Section 6.01 COMMERCIALLY REASONABLE EFFORTS BY THE OPERATING PARTNERSHIP AND THE SPE. Each of the Operating Partnership and the SPE shall use commercially reasonable efforts and cooperate with each other in (i) promptly determining whether any filings are required to be made or consents, approvals, waivers, permits or authorizations are required to be obtained (under any applicable Law or regulation or from any

Governmental Authority or third party) in connection with the transactions contemplated by this Agreement, and (ii) promptly making (or causing to be made) any such filings, in furnishing information required in connection therewith and in timely seeking to obtain any such consents, approvals, waivers, permits and authorizations.

Section 6.02 OBLIGATIONS OF MERGER SUB. Subject to the terms of this Agreement, the Operating Partnership shall take all reasonable action necessary to cause Merger Sub (i) to be formed prior to the Effective Time and become a party to this Agreement by executing a counterpart of this Agreement where indicated on the signature page hereof (the date of such execution, the "Joinder Date") and (ii) to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement. All representations, warranties, covenants, agreements, rights and obligations of Merger Sub herein shall become effective as to Merger Sub as of the Joinder Date.

Section 6.03 TAX MATTERS.

(a) The SPE and the SPE Subsidiaries shall timely file or cause to be timely filed when due all Tax returns required to be filed by or with respect to such Person on or prior to the Closing Date and shall pay or cause to be paid all Taxes shown due thereon. All such Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law.

(b) The Operating Partnership shall prepare or cause to be prepared and file or cause to be filed all income Tax returns of the SPE and any of the SPE Subsidiaries which are due after the Closing Date. All such income Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law. No later than ten (10) days prior to the due date (including extensions) for filing such income Tax returns, the Operating Partnership shall deliver such income Tax returns to American Assets, Inc. for its review and approval, which shall not be unreasonably withheld.

(c) The Operating Partnership shall prepare or cause to be prepared all other Tax returns of the SPE and any of its Subsidiaries.

(d) In accordance with Section 704(c) of the Code, the Operating Partnership shall adopt and use only the so-called "traditional method" described in Treasury Regulation Section 1.704-3(b) with respect to any properties transferred directly or indirectly by the SPE to the Operating Partnership as a result of the Formation Transactions, and therefore shall not make any curative or remedial allocations with respect to such properties.

Section 6.04 WITHHOLDING CERTIFICATE. Prior to Closing, the SPE shall deliver to the Operating Partnership such forms and certificates, duly executed and acknowledged, in form and substance reasonably satisfactory to the Operating Partnership (including any relevant forms or certificates provided to the SPE by the holder of SPE Equity Interests), certifying that the payment of consideration in the Merger is exempt from withholding under Section 1445 of the Code and any similar withholding rules under applicable state, local or foreign Tax Laws.

Section 6.05 TAX ADVICE. The Operating Partnership makes no representations or warranties to the SPE or any holder of SPE Equity Interests regarding the Tax treatment of the Merger or the other Formation Transactions, or with respect to any other Tax consequences to the SPE or any holder of SPE Equity Interests of this Agreement, the Merger or the other Formation Transactions. The SPE acknowledges that the SPE and the holders of SPE Equity Interests are relying solely on their own Tax advisors in connection with this Agreement, the Merger and the other Formation Transactions and agreements contemplated hereby.

Section 6.06 ALTERNATE TRANSACTION. In the event that the Operating Partnership determines that a structure change is necessary, advisable or desirable, the Operating Partnership may elect, in its sole and absolute discretion, to effect the Alternate Transaction, and in such case the SPE hereby agrees and consents to such election, without the need for the Operating Partnership to seek any further consent or action from the SPE, and agrees that the parties shall undertake the Alternate Transaction and shall, and it shall cause its equity holders and Subsidiaries to, enter into such agreements as shall be necessary to consummate the Alternate Transaction.

Section 6.07 EXCLUSION OF ENTITIES. The parties hereby agree that the Operating Partnership shall have the right, in its sole discretion, to exclude the SPE from the Merger after the date hereof until the Effective Time, provided that the Operating Partnership shall provide prior written notice to the SPE regarding such exclusion.

ARTICLE VII
CONDITIONS PRECEDENT

Section 7.01 CONDITION TO EACH PARTY'S OBLIGATIONS. The respective obligation of each party to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date is subject to the satisfaction or waiver on or prior to the Effective Time, of the following conditions:

(a) REGISTRATION STATEMENT. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings by the SEC seeking a stop order. This condition may not be waived by any party.

(b) NO INJUNCTION. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment, injunction, stay or other order (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of any of the transactions contemplated in this Agreement nor shall any of the same brought by a Governmental Authority of competent jurisdiction be pending or threatened that seeks the foregoing.

(c) OPERATING PARTNERSHIP AGREEMENT. The Operating Partnership Agreement, in substantially the form attached hereto as Exhibit D, shall have been executed and delivered by the partners of the Operating Partnership and shall be in full force and effect and, except as contemplated by Section 2.02 or the other Formation Transaction Documents, shall not have been amended or modified.

(d) TAX PROTECTION AGREEMENT. In the event that the SPE Equity Interests are held by any Pre-Formation Participant that (1) owns, directly or indirectly, an interest in any property specified in the Tax Protection Agreement or (2) has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the REIT and the Operating Partnership shall have entered into the Tax Protection Agreement substantially in the form attached as Exhibit A, where applicable.

Section 7.02 CONDITIONS TO OBLIGATIONS OF THE SPE. The obligation of the SPE to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the SPE, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have an OP Material Adverse Effect, each of the representations and warranties of the Operating Partnership and Merger Sub contained in this Agreement shall be true and correct in all material respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE OPERATING PARTNERSHIP AND MERGER SUB. Except as would not have an OP Material Adverse Effect, each of the Operating Partnership and Merger Sub shall have performed all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) REGISTRATION RIGHTS AGREEMENT. The REIT shall have entered into the registration rights agreement substantially in the form attached as Exhibit C. This condition may not be waived by any party.

Section 7.03 CONDITIONS TO OBLIGATION OF THE OPERATING PARTNERSHIP AND MERGER SUB. The obligations of the Operating Partnership and Merger Sub to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the Operating Partnership and Merger Sub, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have an SPE Material Adverse Effect, each of the representations and warranties of the SPE contained in this Agreement, as well as those of the Ernest Rady Trust U/D/T March 10, 1983, as amended (the "Rady Trust"), under the Representation, Warranty and Indemnity Agreement, shall be true and correct in all respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE SPE. The SPE shall have performed in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) IPO CLOSING. The closing of the IPO shall occur substantially concurrently with the Closing.

(d) CONSENTS, ETC. All necessary consents or approvals of Governmental Authorities or third parties (including lenders) for the SPE to consummate the transactions contemplated hereby shall have been obtained.

(e) NO MATERIAL ADVERSE CHANGE. There shall have not occurred between the date hereof and the Closing Date any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the SPE or the SPE Subsidiaries and the Properties, taken as a whole.

(f) REPRESENTATION, WARRANTY AND INDEMNITY AGREEMENT. The Rady Trust shall have entered into the Representation, Warranty and Indemnity Agreement.

(g) ESCROW AGREEMENT. The parties thereto shall have entered into the Escrow Agreement.

(h) LOCK-UP AGREEMENT. Each of the Pre-Formation Participants owning interests in the SPE shall have entered into the Lock-Up Agreement substantially in the form attached as Exhibit E.

(i) TAX PROTECTION AGREEMENT. In the event that (1) the SPE owns, directly or indirectly, an interest in any property specified in the Tax Protection Agreement or (2) the SPE Equity Interests are held by any Pre-Formation Participant that has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the holders of SPE Equity Interests shall have entered into the Tax Protection Agreement, substantially in the form attached as Exhibit A.

ARTICLE VIII
GENERAL PROVISIONS

Section 8.01 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (i) delivered personally, (ii) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (iii) one (1) Business Day after being sent by a nationally recognized overnight courier or (iv) transmitted by facsimile if confirmed within twenty-four (24) hours thereafter by a signed original sent in the manner provided in clause (i), (ii) or (iii) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party):

if to the Operating Partnership or Merger Sub to:

American Assets Trust, L.P.
11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

if to the SPE to:

11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

Section 8.02 DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings.

(a) "Accredited Investor" has the meaning set forth under Regulation D of the Securities Act.

(b) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(c) "Allocated Share" means the amount that would be allocated to a Pre-Formation Participant that is the holder of an interest in an American Assets Entity in accordance with the provisions of the existing Organizational Documents of such entity relating to distributions of distributable net proceeds from sales of directly or indirectly owned properties or assets, and assuming the sale of the relevant Target Asset or Target Assets that are directly or indirectly owned by such entity for a value equal to such Target Asset's or Target Assets' respective Equity Value(s).

Notwithstanding the foregoing, the Allocated Share of any Pre-Formation Participant shall reflect the following adjustments:

1. Intercompany Debt Adjustment. In calculating Allocated Share, all Intercompany Debt shall be taken into account so that the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligor of Intercompany Debt collectively are reduced, and the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligee of such Intercompany Debt collectively are increased, in each case by the amount of such Intercompany Debt (such adjustments being referred to as "Intercompany Debt Adjustments").
2. Entity Specific Debt Adjustment. To the extent that Entity Specific Debt is allocated to a Target Asset, in calculating Allocated Shares of holders of direct or indirect Pre-Formation Interests in the American Assets Entity or Entities owning such Target Asset, the amount of the decrease in Equity Value of such Target Asset attributable to the allocation of such Entity Specific Debt to such Target Asset (through the operation of the formula set forth on Schedule II) (in each case, such decrease being the "Decrease") shall be taken into account so that:
    a. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in any obligor(s) under such Entity Specific Debt collectively shall be (i) reduced by the amount equal to the excess of (w) the amount of the Entity

Specific Debt owed by such obligor over (x) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset; or (ii) increased by the amount equal to the excess of (y) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset over (z) the amount of the Entity Specific Debt owed by such obligor; and

b. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in American Assets Entities owning such Target Asset that are not obligors under such Entity Specific Debt collectively shall be increased by the amount equal to the amount of the Decrease allocated pro rata to such holders as direct or indirect owner of the Target Asset;

with the net effect under the foregoing clauses (a)(i), (a)(ii) and (b) being that the adverse economic impact of the Decrease shall be borne equitably by the holders of direct or indirect Pre-Formation Interests in the actual obligor(s) under such Entity Specific Debt and not by any other holder of direct or indirect Pre-Formation Interests in the American Assets Entities owning such Target Asset.

Illustrative examples of the application of the foregoing Allocated Share adjustments using hypothetical numbers are included as Example 3 and Example 4 in ***Appendix A*** to Schedule II.

(d) "Alternate Transaction" means (i) a contribution of the assets held by the SPE to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, (ii) a contribution by each holder of direct or indirect equity interests in the SPE to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that would have otherwise been received by such holder of direct or indirect equity interests pursuant to this Agreement, (iii) the restructuring of the Merger as either (x) a merger of the SPE with and into either the REIT or the Operating Partnership or a wholly owned subsidiary of the REIT or (y) a merger of a wholly owned subsidiary of the REIT or the Operating Partnership with and into the SPE, in each case in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, or (iv) any other transaction pursuant to which the REIT, the Operating Partnership or any of their Subsidiaries acquire the assets held by the SPE or each holder of direct or indirect equity interests in such SPE in a transaction pursuant to which each holder of direct or indirect interests in such SPE receives the amount of cash, the number of OP Units and/or the number of REIT Shares that were to be received by such holder pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets acquired by the REIT, the Operating Partnership or any of their Subsidiaries pursuant to such Alternate Transaction).

(e) "American Assets Entity" means a Forward OP Merger Entity, Forward REIT Merger Entity, OP Sub Reverse Merger Entity, OP Sub Forward Merger Entity, REIT Sub Forward Merger Entity, or Contributed Entity, as applicable. As used herein, "American Assets Entities" refer to each American Assets Entity, collectively.

(f) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California.

(g) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(h) "Consent Form" means the forms provided to each holder of Pre-Formation Interests to consent to the Formation Transactions and to make such holder's irrevocable elections with respect to consideration to be received in the Formation Transactions.

(i) "Elected OP Unit Percentage" means, for the Merger Consideration to be received with respect to any SPE Equity Interest, the percentage of the Allocated Share represented by such SPE Equity Interest that the holder thereof has made a Valid Election to receive in the form of OP Units.

(j) "Elected REIT Shares Percentage" means, for the Merger Consideration to be received with respect to any SPE Equity Interest, the percentage of the Allocated Share represented by such SPE Equity Entity Interest that the holder thereof has made a Valid Election to receive in the form of REIT Shares.

(k) "Environmental Laws" means all federal, state and local Laws governing pollution or the protection of human health or the environment.

(l) "Escrow Agreement" means the Indemnity Escrow Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(m) "Equity Value" has the meaning set forth in Schedule II hereto.

(n) "Formation Transaction Documentation" means all of the agreements and plans of merger (including this Agreement) relating to all target entities and all contribution agreements and related documents and agreements, substantially in the forms accompanying the Request for Consent dated July 31, 2010 and identified in Exhibit B hereto, pursuant to which all of the American Assets Entities and/or the equity interests in the American Assets Entities held by the Pre-Formation Participants are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(o) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(p) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(q) "Intercompany Debt" means loans or advances among American Assets Entities and/or their Subsidiaries or among holders of Pre-Formation Interests on the one hand and American Assets Entities and/or their Subsidiaries on the other hand, other than those promissory notes set forth on ***Appendix D*** to Schedule II for which Del Monte Center is listed as the associated Target Asset, each of which loans or advances are set forth on Schedule III hereto. Intercompany Debt shall not be discharged pursuant to the Formation Transactions except to the extent any such Intercompany Debt merges out of existence by operation of law as a result of such transactions (e.g., if the Operating Partnership acquires both the obligor and obligee interest in a loan which reflects an Intercompany Debt). After the closing of the Formation Transactions, and except as provided below, to the extent any such loans are acquired by the REIT, Operating Partnership or their Subsidiaries (e.g., an obligor or obligee with respect to such loans is merged

with or into, or acquired by, one of such entities), the REIT, Operating Partnership or their Subsidiaries (as applicable) shall be permitted to take any actions (including repayment) with respect to such Intercompany Debt as they deem appropriate. Intercompany Debt with respect to which either the obligor or the obligee (but not both such parties) under such Intercompany Debt is acquired, directly or indirectly, by the REIT, Operating Partnership or their Subsidiaries, shall be deemed to be discharged immediately after the Formation Transactions by (i) the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligor, or (ii) the obligor to the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligee, in each case in exchange for the consideration payable as set forth in the applicable Formation Transaction Documentation. The amounts payable and receivable with respect to each item of Intercompany Debt shall be determined by the REIT, for purposes of determining the Intercompany Debt Adjustments, within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

(r) "IPO Closing Date" means the closing date of the IPO.

(s) "IPO Price" means the initial public offering price of a REIT Share in the IPO.

(t) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(u) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(v) "Lock-Up Agreement" means that certain Lock-Up Agreement, by and between the underwriters and each investor of the REIT and/or the Operating Partnership.

(w) "OP Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the Operating Partnership and each Operating Partnership Subsidiary, taken as a whole.

(x) "Operating Partnership Agreement" means the agreement of limited partnership of the Operating Partnership, as amended and restated and in effect immediately prior to the Effective Time.

(y) "Organizational Documents" means the certificate of formation, certificate of incorporation and bylaws, certificate of limited partnership and limited partnership agreement, limited liability company agreement or operating agreement of the SPE or any SPE Subsidiary, as applicable.

(z) "Permitted Liens" means (i) Liens, or deposits made to secure the release of such Liens, securing Taxes, the payment of which is not delinquent or the payment of which (including, without limitation, the amount or validity thereof) is being contested in good faith by appropriate proceedings for which adequate reserves have been made in accordance with GAAP;

(ii) zoning, entitlement, building and other land use Laws imposed by governmental agencies having jurisdiction over the Properties; (iii) covenants, conditions, restrictions, easements for public utilities, encroachments, rights of access or other non-monetary matters that do not materially impair the use of the Properties for the purposes for which they are currently being used or proposed to be used in connection with the relevant Person's business; (iv) Liens securing financing or credit arrangements existing as of the Closing Date; (v) Liens arising under leases in effect as of the Closing Date; (vi) any exceptions contained in any title policy (including any policy issued to a secured lender) relating to the Properties as of the Closing Date; (vii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business that are not yet due and payable and which are not, in the aggregate, material to the business, operations and financial condition of the Properties so encumbered; and (viii) any matters that would not have an SPE Material Adverse Effect.

(aa) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(bb) "Pre-Formation Interests" means the interests held by the Pre-Formation Participants in the American Assets Entities.

(cc) "Pre-Formation Participants" means the holders of the direct and indirect equity interests in the relevant American Assets Entities immediately prior to the Formation Transactions.

(dd) "Prospectus" means the REIT's final prospectus as filed with the SEC.

(ee) "Representation, Warranty and Indemnity Agreement" means the Representation, Warranty and Indemnity Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(ff) "Securities Act" means the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder.

(gg) "SPE Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the SPE and each SPE Subsidiary, taken as a whole.

(hh) "Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person owns (either directly or through or together with another Subsidiary of such Person) either (i) a general partner, managing member or other similar interest, or (ii)(A) ten percent (10%) or more of the voting power of the voting capital stock or other equity interests, or (B) ten percent (10%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity.

(ii) "Target Asset" has the meaning set forth in Schedule II hereto.

(jj) "Tax" means all federal, state, local and foreign income, gross receipts, license, property, withholding, sales, franchise, employment, payroll, goods and services, stamp,

environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

(kk) "Tax Protection Agreement" means that certain Tax Protection Agreement by and among the REIT, the Operating Partnership and the parties identified as a signatory on Schedule A thereto.

(ll) "Underwriting Agreement" means that certain underwriting agreement, by and between the REIT, the Operating Partnership and certain underwriters set forth therein, pursuant to which the REIT will issue and sell shares in the IPO.

(mm) "Valid Election" means, with respect to any SPE Equity Interest, an irrevocable election to receive all or a portion of its Allocated Share in the form of OP Units and/or REIT Shares as indicated on the properly completed and timely received Consent Form of the holder of such SPE Equity Interest or a Consent Form as to which any deficiencies have been waived by the REIT.

Section 8.03 COUNTERPARTS. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

Section 8.04 ENTIRE AGREEMENT; THIRD-PARTY BENEFICIARIES. This Agreement, the other Formation Transaction Documentation and the Consent Forms to which the parties hereto are a party, including, without limitation, the exhibits and schedules hereto and thereto, constitute the entire agreement and, except as set forth in Section 1.09, supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

Section 8.05 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, regardless of any Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 8.06 ASSIGNMENT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; *provided*, *however*, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that the Operating Partnership may assign its rights and obligations hereunder to an Affiliate.

Section 8.07 JURISDICTION. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the County of San Diego, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any

claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

Section 8.08 DISPUTE RESOLUTION. The parties intend that this Section 8.08 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to Section 8.08(c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this agreement to arbitrate) that is not resolved pursuant to Section 8.08(a) above shall be submitted to final and binding arbitration in California before one neutral and impartial arbitrator, in accordance with the Laws of the State of California for agreements made in and to be performed in that State. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. Each of the Operating Partnership and the SPE shall appoint one arbitrator within fifteen (15) days of a demand for arbitration. If the Operating Partnership and the SPE cannot mutually agree upon an arbitrator within such 15-day period, the arbitrator shall be appointed by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in

order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs, and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

Section 8.09 SEVERABILITY. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable law, but if any provision is held invalid, illegal or unenforceable under applicable law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

Section 8.10 RULES OF CONSTRUCTION.

(a) The parties hereto agree that they have had the opportunity to be represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Unless explicitly stated otherwise herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

Section 8.11 EQUITABLE REMEDIES. The parties agree that irreparable damage would occur to the Operating Partnership in the event that any of the provisions of this

Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Operating Partnership shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the SPE and to enforce specifically the terms and provisions hereof in any federal or state court located in California, this being in addition to any other remedy to which the Operating Partnership is entitled under this Agreement or otherwise at law or in equity.

Section 8.12 WAIVER OF SECTION 1542 PROTECTIONS. As of the Closing, the SPE expressly acknowledges that it has had, or has had and waived, the opportunity to be advised by independent legal counsel and hereby waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542 which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Section 8.13 TIME OF THE ESSENCE. Time is of the essence with respect to all obligations under this Agreement.

Section 8.14 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 8.15 NO PERSONAL LIABILITY CONFERRED. This Agreement shall not create or permit any personal liability or obligation on the part of any officer, director, partner, employee or shareholder of the Operating Partnership, Merger Sub or the SPE.

Section 8.16 AMENDMENTS. This Agreement may be amended by appropriate instrument, without the consent of the SPE, at any time prior to the Effective Time; *provided*, that no such amendment, modification or supplement shall be made that alters the amount or changes the form of the consideration to be delivered to the SPE, without the prior written consent of the SPE in the event that the SPE would be adversely affected by such proposed amendment, modification or supplement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its: General Partner

By: _____
Name: John W. Chamberlain
Title: President

[OP SUB REVERSE MERGER ENTITY]
a [_____]

By: _____
Name:
Title:

[Signature Page to OP Sub Reverse Merger Agreement]

AGREED AND ACCEPTED as of

[_____], 2010,

[OP SUB REVERSE MERGER ENTITY
MERGER SUB LLC],
a [_____]

By: AMERICAN ASSETS TRUST, L.P.
a Maryland Limited Partnership
Its Sole Member

By: _____
Name: _____
Title: _____

[Signature Page to OP Sub Reverse Merger Agreement]

Schedule I

List of Forward OP Merger Entities:

1. Solana Beach Towne Centres Investments, L.P.
2. Pacific San Jose Holdings, L.P.
3. Pacific Sorrento Mesa Holdings, L.P.
4. Hillside 104, a California limited partnership
5. Hillside 276, a California limited partnership
6. Desert Hillside Holdings, LLC
7. BWH Holdings, LLC
8. Waikele Center Holdings, LP

List of Forward REIT Merger Entities:

1. Pacific Stonecrest Assets, Inc.
2. Pacific National City Assets, Inc.
3. Western Assets, Inc.
4. Pacific Towne Centre Assets, Inc.
5. Pacific Oceanside Assets, Inc.
6. Pacific San Jose Assets, Inc.
7. KMBC Assets, Inc.
8. Hero Retail, Inc.
9. Pacific Sorrento Valley Assets I, Inc.
10. Pacific Sorrento Mesa Assets, Inc.
11. Beach Walk Assets, Inc.
12. ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]
13. ICW Valencia, Inc.
14. Pacific Torrey Reserve Assets, Inc.
15. Landmark Assets, Inc.
16. Landmark One Market, Inc.
17. Pacific Novato Assets, Inc.
18. Waikele Center Assets, Inc.

List of OP Sub Forward Merger Entities:

1. Pacific Stonecrest Holdings, L.P.
2. Rancho Carmel Plaza, a California limited partnership
3. Pacific Oceanside Holdings, L.P.
4. Kearny Mesa Business Center, a California limited partnership
5. Del Monte Center Holdings, LP
6. Beach Walk Holdings, LP
7. ICW Plaza, L.P., a California limited partnership
8. ICW Valencia, L.P.
9. Desert Oceanside Holdings, LLC
10. San Diego Loma Palisades, L.P.

List of OP Sub Reverse Merger Entities:

1. Pacific Waikiki Holdings, L.P.
2. ABW Lewers LLC
3. King Street Holdings, LP
4. Loma Palisades, a California general partnership

List of REIT Sub Forward Merger Entities:

1. Pacific Del Mar Assets, Inc.
2. Pacific Carmel Mountain Assets, Inc.
3. Pacific Solana Beach Assets, Inc.
4. Pacific Waikiki Assets, Inc.
5. King Street Assets, Inc.
6. Pacific Sorrento Valley Assets II, Inc.
7. Pacific Santa Fe Assets, Inc.

List of Contributed Entities:

1. American Assets Trust Management, LLC
2. Winrad Vista Hacienda, a California general partnership
3. Vista Hacienda, a California limited partnership
4. Pacific American Assets Holdings, L.P., a California limited partnership
5. Carmel Country Plaza, L.P.
6. Pacific Carmel Mountain Holdings, L.P.
7. Pacific National City Holdings, L.P.
8. Pacific Solana Beach Holdings, L.P.
9. Pacific San Jose Holdings, L.P.
10. Winrad Kearny Mesa Business Center, a California general partnership
11. Pacific Sorrento Valley Holdings I, L.P.
12. Pacific Sorrento Mesa Holdings, L.P.
13. Beach Walk Holdings, LP
14. ICW Plaza, L.P., a California limited partnership
15. ICW Valencia, L.P.
16. Pacific Sorrento Valley Holdings II, L.P.
17. EBW Hotel LLC
18. Imperial Strand, a California limited partnership
19. Winrad Imperial Strand, a California general partnership
20. San Diego Loma Palisades, L.P.
21. Mariner’s Point, LLC
22. Pacific Santa Fe Holdings, L.P.

Schedule II

Calculation of Equity Value

For purposes of all Formation Transaction Documentation, "Equity Value" of any Target Asset directly or indirectly owned by the American Assets Entity subject to such agreement shall be calculated pursuant to the formula set forth below. Capitalized terms used in this Schedule II shall have the meanings set forth below and capitalized terms used herein without definition shall have the meanings assigned to such terms in the Agreement.

$$EV = EP \times [TFTV\text{-}TPA]+AA;$$

where:

EV = Equity Value;
EP = Equity Percentage;
TFTV= Total Formation Transaction Value;
TPA = Total Portfolio Adjustment; and
AA = Asset Adjustment;

provided, however, that if the resulting Equity Value for a Target Asset is a negative amount (a "Net Deficit"), then the REIT shall exercise one of the following options, as determined by the REIT in its sole and absolute discretion: (i) select the Target Asset as an Eliminated Asset or (ii) if one or more entities that are subject to the Formation Transaction Documentation that are the direct or indirect owners of such Target Asset would otherwise possess Excluded Assets the value of which in the aggregate would equal or exceed the amount of such Net Deficit, increase the Target Net Working Capital with respect to such entity or entities by the absolute value of such Net Deficit; and *provided further* that if the REIT shall have exercised option (ii) with respect to any Target Asset, the Equity Value with respect to such Target Asset shall be deemed to be equal to zero;

provided further, that if the Equity Value for ICW Valencia/Valencia Corporate Center as calculated above would result in the holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. having an amount of Allocated Shares, prior to the application of the Intercompany Debt Adjustments, that is less than the value of the Intercompany Debt owed by ICW Valencia, L.P. to ICW Plaza, L.P. (such shortfall being referred to as the "Intercompany Debt Shortfall"), then (i) Western Insurance Holdings, Inc. shall issue a promissory note with a term of three years to ICW Valencia, L.P. which shall be treated as an Asset Adjustment with respect to ICW Valencia/Valencia Corporate Center and such promissory note (the "WIH Note") shall have such face amount as shall be necessary to increase the Equity Value of ICW Valencia/Valencia Corporate Center such that the Allocated Shares of holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. shall increase by an amount, prior to the application of the Intercompany Debt Adjustments, equal to the Intercompany Debt Shortfall and (ii) the Equity Value for ICW Valencia/Valencia Corporate Center shall be recalculated to give effect to the Asset Adjustment attributable to the issuance of the WIH Note.

Attached as ***Appendix A*** to this Schedule II are illustrative calculations of Equity Value for a hypothetical portfolio of Target Assets.

"Actual Balance" shall mean: (i) with respect to each Existing Loan to be assumed in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such assumption and all assumption fees and any related expenses with respect to such Existing Loan; and (ii) with respect to each Existing Loan to be prepaid, repaid or refinanced in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such prepayment, repayment or refinancing and any related prepayment penalties and any related expenses; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Actual Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed. With respect to each Existing Loan to be assumed, prepaid, repaid or refinanced in connection with the Formation Transactions, the Actual Balance as of the Closing Date shall be determined by the REIT within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

"Asset Adjustment" shall mean with respect to each Target Asset and any Existing Loan relating to such Target Asset, an amount equal to the Base Balance minus the Actual Balance (expressed as a positive or negative number, as applicable) with respect to all Existing Loans relating to such Target Asset, and in the case of ICW Valencia/Valencia Corporate Center, the face value of the WIH Note shall be deemed to reduce the Actual Balance of the Existing Loan relating to ICW Valencia/Valencia Corporate Center.

"Base Balance" shall mean with respect to each Existing Loan, the principal amount of such Existing Loan set forth on ***Appendix C*** to this Schedule II; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Base Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Eliminated Asset" shall mean any Target Asset subject to the Formation Transaction Documentation that is excluded pursuant to the terms of the Formation Transaction Documentation from the Formation Transactions.

"Equity Percentage" shall mean with respect to each Target Asset, the percentage (expressed as a decimal) set forth opposite the name of such Target Asset on ***Appendix B*** to this Schedule II (which percentage is based on the Fairness Opinion of Duff & Phelps, LLC and represents such

Target Asset's percentage of the net asset values of the Target Assets (other than the Management Company) and the net equity value of the Management Company, taken as a whole); *provided*, *however*, that in the event a Target Asset is selected as or otherwise becomes for any reason an Eliminated Asset, then: (i) the Equity Percentage for each remaining Target Asset shall be recalculated as a fraction, the numerator of which is the original Equity Percentage for such remaining Target Asset and the denominator of which is (A) 100 minus (B) the original Equity Percentage of the Eliminated Asset; and (ii) the Equity Percentage of the Eliminated Asset shall be zero; and *provided*, *further*, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then, after giving effect to any Eliminated Assets pursuant to the preceding proviso, the Equity Percentage for such Target Asset and for each other remaining Target Asset subject directly or indirectly to the Formation Transaction Documentation shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Excluded Assets" has the meaning set forth in Section 5.03 to the Agreement.

"Existing Loan" shall mean (i) each mortgage or mezzanine loan secured by a Target Asset listed on ***Appendix C*** to this Schedule II and (ii) all unsecured indebtedness of an American Assets Entity or of an entity in which an American Assets Entity has a direct or indirect interest that will be assumed, prepaid, repaid or refinanced in connection with the IPO and that is set forth on ***Appendix D*** to this Schedule II (all indebtedness falling within the scope of this clause (ii) shall be referred to as "Entity Specific Debt"); for the avoidance of doubt, no Intercompany Debt shall constitute an Existing Loan (in order to avoid double counting, as Intercompany Debt is adjusted for through the definition of "Allocated Share"). Existing Entity Specific Debt will be deemed to relate to the Target Asset(s) and, if to multiple Target Assets, in the proportions set forth opposite the name of such Entity Specific Debt on ***Appendix D*** to this Schedule II, and all such Entity Specific Debt will be deemed to have a Base Balance of zero (because "Equity Percentage" as determined by Duff & Phelps, LLC was determined at the property level and did not take into account Entity Specific Debt, Entity Specific Debt is deemed to be zero in order to cause a readjustment of "Equity Value" of all Target Assets after taking into account such Entity Specific Debt).

"Target Asset" shall mean each property set forth on Appendix B to this Schedule II and the property management business of American Assets, Inc. (the "Management Company").

"Target Net Working Capital" has the meaning set forth in Schedule 5.03 to the Agreement.

"Total Portfolio Adjustment" shall mean the sum (which may be a positive or negative number) of all Asset Adjustments for every Target Asset, excluding Eliminated Assets.

"Total Formation Transaction Value" shall mean the aggregate dollar value of (i) the cash, (ii) the REIT Shares and (iii) the OP Units that are issued or issuable to all Pre-Formation Participants in the Formation Transactions as set forth in the Prospectus. Total Formation Transaction Value will be determined valuing REIT Shares and OP Units at a value per REIT Share or OP Unit equal to the IPO Price.

Appendix A to Schedule II

Worked Examples

The figures and calculations included in this ***Appendix A*** are for illustrative purposes only and are based on a hypothetical portfolio of properties. Neither the hypothetical Total Formation Transaction Value nor any of the other figures or calculations presented on ***Appendix A*** shall be binding on the REIT or the Operating Partnership, and should not be considered an indication of value of the American Assets Entities. The value of the American Assets Entities will ultimately be determined by the REIT in consultation with the underwriters of the IPO based on public investor demand and may be lower or higher than the hypothetical Total Formation Transaction Value shown on ***Appendix A***. In addition, the calculations in ***Appendix A*** assume that each of Target Assets in this hypothetical portfolio of properties will be wholly owned, directly or indirectly, by the REIT.

Example – Base Case

In the hypothetical examples shown below, the Target Assets that will be acquired by the REIT in the Formation Transactions consist of four shopping centers. The Total Formation Transaction Value, or "TFTV," for this entire portfolio of properties will be $400, absent the impact of certain potential adjustments described in the subsequent examples. Each Target Asset (i) is subject to a $25 mortgage, (ii) was determined by a third-party valuator to have a relative equity value equal to 25% of the entire portfolio and (iii) has two owners, each of whom has a 50% interest in the property.

Target Asset	Equity Percentage ("EP") (determined by 3rd party valuator)	Property Holding Companies & Ownership %
Shopping Center 1		Company A (50%)
	25%	Company B (50%)
Shopping Center 2		Company C (50%)
	25%	Company D (50%)
Shopping Center 3		Company E (50%)
	25%	Company F (50%)
Shopping Center 4		Company G (50%)
	25%	Company H (50%)
Total	100%	

Applying the Equity Value formula and assuming that there is no Entity Specific Debt and no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV –TPA] + AA
Shopping Center 1	100 = 25% x [400 - 0] + 0
Shopping Center 2	100 = 25% x [400 - 0] + 0
Shopping Center 3	100 = 25% x [400 - 0] + 0

Shopping Center 4	100 = 25% x [400 - 0] + 0
Total Equity Value	400

Example 2 – Mortgage Payoff

In this example, all of the facts described in the Base Case above are the same, except that prior to the completion of the Formation Transactions, the $25 mortgage on Shopping Center 1 is paid off such that at the time that Shopping Center 1 is acquired by the Operating Partnership it is not subject to any mortgage debt. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 1:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	25 = 25 – 0
Shopping Center 2	0 = 25 – 25
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	25

In addition, by virtue of the reduction in the outstanding mortgage debt that will be assumed by the Operating Partnership in connection with the Formation Transactions, the Total Formation Transaction Value will have increased by the $25 value of the mortgage repayment from $400 to $425.

Applying the Equity Value formula reflecting these new facts and assuming that there is no Entity Specific Debt, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV –TPA] + AA
Shopping Center 1	125 = 25% x [425 - 25] + 25
Shopping Center 2	100 = 25% x [425 - 25] + 0
Shopping Center 3	100 = 25% x [425 - 25] + 0
Shopping Center 4	100 = 25% x [425 - 25] + 0
Total Equity Value	425

Example 3 – Entity Specific Debt

In this example, all of the facts described in the Base Case above are the same, except that Company C is subject to $25 of Entity Specific Debt related to Shopping Center 2, which will be assumed by the Operating Partnership upon the completion of the Formation Transactions. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 2:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	0 = 25 – 25
Shopping Center 2	-25 = 25 –50
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	-25

In addition, by virtue of the assumption by the Operating Partnership of this Entity Specific Debt in connection with the Formation Transactions, the Total Formation Transaction Value will have decreased by the $25 value of the Entity Specific Debt from $400 to $375.

Applying the Equity Value formula reflecting these new facts and assuming that there is no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV –TPA] + AA
Shopping Center 1	100 = 25% x [375 - (-25)] + 0
Shopping Center 2	75 = 25% x [375 - (-25)] + (-25)
Shopping Center 3	100 = 25% x [375 - (-25)] + 0
Shopping Center 4	100 = 25% x [375 - (-25)] + 0
Total Equity Value	375

Here, through the operation of the Equity Value formula, all $25 of Company C's Entity Specific Debt has been allocated to Shopping Center 2 and has not impacted the Equity Value of the other Target Assets. However, without further adjustment, Company C and Company D, each as a 50% owner of Shopping Center 2, are equally burdened by Company C's Entity Specific Debt as show below:

	Company C	Company D
Allocated Share (unadjusted) of Equity Value before Inclusion of Entity Specific Debt:	50 = 100 x 50%	50 = 100 x 50%
Allocated Share (unadjusted) of Equity Value after Inclusion of Entity Specific Debt:	37.5 = 75 x 50%	37.5 = 75 x 50%
Decrease in Allocated Share (unadjusted) of Equity Value due to Inclusion of Entity Specific Debt:	12.5 = 50 - 37.5	12.5 = 50 - 37.5

Accordingly, by virtue of the operation of the Equity Value formula, Company C has only been allocated half ($12.5 of $25.0) of the Company C Entity Specific Debt obligation that should be allocated to Company C, and Company D has been allocated the remaining $12.5.

In order to address this inequitable allocation of Company C Entity Specific Debt , the definition of “Allocated Share” provides for an adjustment to (i) reduce the amount that would otherwise be payable to Company C by the amount by which the Entity Specific Debt exceeds the amount of such obligation that was previously allocated to Company C and (ii) increase the amount payable to Company D by the amount of the Entity Specific Debt obligation that was previously allocated to Company D, with the following outcome:

	Company A	Company B
Allocated Share (adjusted):	25 = 37.5 - 12.5	50 = 37.5 + 12.5

As a result of this adjustment to the Allocated Shares of Company C and Company D, the economic impact of all of Company C’s Entity Specific Debt will be allocated to Company C.

Example 4 – Intercompany Debt

In this example, all of the facts described in the Base Case above are the same, except that between the owners of Shopping Center 3, Company E has an Intercompany Debt obligation in the amount of $25 to Company F.

Prior to the application of the adjustments contained in the definition of Allocated Share, the Allocated Shares of the Owners of Shopping Center 3 would be as follows:

	Company E	Company F
Allocated Share (unadjusted):	50 = 100 x 50%	50 = 100 x 50%

To account for Intercompany Debt, the definition of "Allocated Share" provides an adjustment to (i) reduce the Allocated Share that would otherwise be payable to Company E by an amount equal to its indebtedness to Company F and (ii) increase the Allocated Share that would otherwise be payable to Company F by an amount equal to Company E's indebtedness to Company F, with the following outcome:

	Company E	Company F
Allocated Share (adjusted):	25 = 100 x 50% - 25	75 = 100 x 50% + 25

As a result of this adjustment to the Allocated Shares of Company E and Company F, the Intercompany Debt obligations between these entities have now been resolved.

Appendix B to Schedule II

Equity Percentage for Each Target Asset

Target Asset	Equity Percentage
Alamo Quarry Market	10.1916%
Carmel Country Plaza	4.8359%
Carmel Mountain Plaza	7.1580%
South Bay Marketplace	0.3157%
Lomas Santa Fe Plaza	6.5271%
Rancho Carmel Plaza	0.4388%
Solana Beach Towne Centre	5.6143%
The Shops at Kalakaua	0.2883%
Del Monte Center	5.7928%
Waikele Center	9.0461%
Waikiki Beach Walk	
Waikiki Beach Walk Retail	0.6668%
Embassy Suites at Waikiki Beach Walk	6.3419%
ICW Valencia/Valencia Corporate Center	1.7184%
Torrey Reserve	
ICW Plaza	2.0728%
Torrey Reserve North Court I & II	4.1456%
Torrey Reserve South Court I & II	4.7826%
Torrey Daycare	0.2370%
Torrey VC I-III	1.2492%
Existing Common Area – Future Development Parcel	0.3981%
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	2.2375%
Solana Beach Corporate Centre – III & IV	0.3116%
Solana Beach Towne Centres Investments (Vacant Land)	0.0686%
160 King Street	2.4814%
The Landmark at One Market	5.5594%
Fireman’s Fund Headquarters	9.6718%
Imperial Beach Gardens	0.6589%
Loma Palisades	2.5884%
Mariner’s Point	0.2745%
Santa Fe Park RV Resort	0.3873%
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	0.1235%
Sorrento Pointe	0.2471%
Management Company (American Assets Trust Management, LLC)	3.5690%
Total	**100.0000%**

Appendix C to Schedule II

Base Balance of Existing Loans
(other than Entity Specific Debt)

Target Asset	Base Balance of Existing Loan
Alamo Quarry Market	$ 98,954,256
Carmel Country Plaza	$ 10,271,191
Carmel Mountain Plaza	$ 63,554,812
South Bay Marketplace	$ 23,000,000
Lomas Santa Fe Plaza	$ 19,850,458
Rancho Carmel Plaza	$ 8,103,021
Solana Beach Towne Centre	$ 40,000,000
The Shops at Kalakaua	$ 19,000,000
Del Monte Center	$ 82,300,000
Waikele Center	$ 140,700,000
Waikiki Beach Walk	
Waikiki Beach Walk Retail	$ 145,742,438
Embassy Suites at Waikiki Beach Walk	$ 53,000,000
ICW Valencia/Valencia Corporate Center	$ 23,581,507
Torrey Reserve	
ICW Plaza	$ 43,000,000
Torrey Reserve North Court I & II	$ 22,299,822
Torrey Reserve South Court I & II	$ 13,059,008
Torrey Daycare	$ 1,673,363
Torrey VC I-III	$ 7,500,000
Existing Common Area – Future Development Parcel	$ 0
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	$ 12,000,000
Solana Beach Corporate Centre – III & IV	$ 37,330,000
Solana Beach Towne Centres Investments (Vacant Land)	$ 0
160 King Street	$ 42,223,428
The Landmark at One Market	$ 133,000,000
Fireman's Fund Headquarters	$ 176,542,099
Imperial Beach Gardens	$ 20,000,000
Loma Palisades	$ 73,744,000
Mariner's Point	$ 7,700,000
Santa Fe Park RV Resort	$ 1,878,876
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	$ 0
Sorrento Pointe	$ 0
Management Company (American Assets Trust Management, LLC)	$ 0
Total	$ 1,320,008,279

Appendix D to Schedule II

Entity Specific Debt

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to DHM Trust	Del Monte Center	$ 117,273.17
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,231,368.26
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pauline M. Foster, Trustee of Non-Exempt Trust C under the Stanley and Pauline Foster Trust, dated July 31, 1981	Del Monte Center	$ 527,729.26
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 377,577.46
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to American Assets, Inc.	Del Monte Center	$ 357,464.50
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Nora Kaufman	Del Monte Center	$ 34,325.00
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Parma Family Trust	Del Monte Center	$ 36,886.08
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,288,289.73
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Arsobro, LP	Del Monte Center	$ 158,971.11
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Foster Del Monte, LLC	Del Monte Center	$ 238,540.95
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Gerald I. Solomon	Del Monte Center	$ 9,534.62
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Solomon Family Partnership	Del Monte Center	$ 23,828.31
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust 2	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 309,768.37

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to Arsobro, LP	Del Monte Center	$ 116,391.99
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to American Assets, Inc.	Del Monte Center	$ 74,233.18
Total	**Del Monte Center**	**$ 4,926,009.93**
Second Amended and Restated Promissory Note A Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Sorrento Mesa Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 6,498,716.00
Second Amended and Restated Promissory Note B Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Stonecrest Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 3,983,084.00
Total	**Waikele Center**	**$ 10,481,800.00**
Unsecured loan from ESW LLC to the Embassy Suites at Waikiki Beach Walk*	Embassy Suites at Waikiki Beach Walk	$ 14,874,102.00
Total	**Embassy Suites at Waikiki Beach Walk**	**$ 14,874,102.00**
Loan Agreement, dated as of June 29, 2010, between Bank of America, N.A. and Landmark One Market	The Landmark at One Market	$ 23,000,000.00
Total	**The Landmark at One Market**	**$ 23,000,000.00**
Unsecured loan from ICW Valencia, L.P. to certain holders of interests in ICW Plaza, L.P.	Valencia Corporate Center	$ 418,770.00
Total	**Valencia Corporate Center**	**$ 418,770.00**

* Loan not issued pursuant to a formal promissory note.

Schedule III

Intercompany Indebtedness

Intercompany Debt	Balance Outstanding as of June 30, 2010
Unsecured loan from American Assets, Inc. to Pacific Oceanside Holdings, L.P.*	$ 3,099,218
Unsecured loan from American Assets, Inc. to Kearny Mesa Business Center, L.P.*	$ 854,229
Promissory Note issued December 31, 2004 by American Assets, Inc. to Del Monte Center Holdings, LP	$ 1,785,680
Unsecured loan from American Assets, Inc. to Del Monte San Jose Holdings, LLC*	$ 1,854,631
Unsecured loan from American Assets, Inc. to Beach Walk Holdings, L.P.*	$ 2,861,766
Promissory Note issued December 31, 2004 by American Assets, Inc. to Solana Beach Towne Centre Investments, L.P.	$ 2,102,154
Promissory Note issued January 31, 2007 by American Assets, Inc. to ICW Plaza, L.P.	$ 7,748,809
Promissory Note issued December 31, 2004 by American Assets, Inc. to Pacific Stonecrest Holdings, L.P.	$ 901,116
Promissory Note issued December 31, 2004 by American Assets, Inc. to Rancho Carmel Plaza, L.P.	$ 305,370
Unsecured loan from American Assets, Inc. to Pacific Stonecrest Assets, Inc.*	$ 75,093
Promissory Note issued December 31, 2009 by American Assets, Inc. to Imperial Strand, L.P.	$ 1,364,104
Promissory Note issued December 31, 2004 by American Assets, Inc. to Loma Palisades, G.P.	$ 1,021,324
Total	**$ 23,973,494**
Promissory Note issued December 31, 2009 by Ernest Rady Trust U/D/T March 10, 1983, as amended, to American Assets, Inc	$ 14,144,458
Promissory Note issued December 19, 2007 by Pacific American Assets Holdings, L.P., to American Assets, Inc	$ 28,934,000
Promissory Note issued December 31, 2004 by Winrad Kearny Mesa Business Center, G.P. to American Assets, Inc	$ 757,906
Total	**$ 43,836,364**
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 1,055,458.51

Intercompany Debt	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 514,693.48
Total	**$ 1,570,152**

* Loan not issued pursuant to a formal promissory note.

Schedule 3.01(b)

List of Operating Partnership Subsidiaries

Owner	Ownership Interest
American Assets Trust Services, Inc.	
American Assets Trust, L.P.	100%
Vista Hacienda LLC	
American Assets Trust, L.P.	100%
Pacific Stonecrest Holdings LLC	
American Assets Trust, L.P.	100%
Rancho Carmel Plaza LLC	
American Assets Trust, L.P.	100%
Pacific Waikiki Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Pacific Oceanside Holdings LLC	
American Assets Trust, L.P.	100%
Kearny Mesa Business Center LLC	
American Assets Trust, L.P.	100%
Del Monte Center Holdings LLC	
American Assets Trust, L.P.	100%
Beach Walk Holdings LLC	
American Assets Trust, L.P.	100%
ABW Lewers Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Plaza Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Valencia LLC	
American Assets Trust, L.P.	100%
King Street Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Waikiki Beach Walk Hotel Lessee (indirect Subsidiary)	
American Assets Trust Services, Inc.	100%
Imperial Strand LLC	
American Assets Trust, L.P.	100%
Loma Palisades Merger Sub LLC	
American Assets Trust, L.P.	100%
Loma Palisades GP LLC	
American Assets Trust, L.P.	100%

Schedule 4.01(b)

List of SPE Subsidiaries

ABW LEWERS:

Owner	Percentage Ownership Interest
ABW 2181 Holdings LLC (indirect Subsidiary) 2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
ABW Lewers LLC	100
ABW Holdings LLC (indirect Subsidiary) 2375 Kuhio Avenue, Honolulu, HI **WAIKIKI BEACH WALK RETAIL**	
ABW Lewers LLC	100

ALL OTHERS:
None.

Schedule 4.03

Capitalization

Owner	Percentage Ownership Interest
Pacific Waikiki Holdings, L.P.	
Pacific Waikiki Assets, Inc.	0 [promote only]
Ernest Rady Trust U/D/T March 10, 1983, as amended	53.867
Arthur Brody, Trustee of the Arthur and Sophie Brody Revocable Trust, dated April 13, 1989	40
Thomas Wolfe	3.467
Gerald I. Solomon	2.667

Owner	Percentage Ownership Interest
ABW Lewers LLC	
Beach Walk Holdings, L.P.	80
WBW Retail LLC	20

Owner	Percentage Ownership Interest
King Street Holdings, LP	
King Street Assets, Inc.	0 [promote only]
Arsobro, LP	100

Owner	Percentage Ownership Interest
Loma Palisades, a California general partnership	
Foster Palisades, LLC	25
San Diego Loma Palisades, L.P.	75

Schedule 4.08(a)

Title Insurance

PACIFIC WAIKIKI HOLDINGS MERGER SUB LLC

Only the following Property has an associated owner's policy of title insurance:

Property	Beneficiary
The Shops at Kalakaua	Pacific Waikiki Holdings, L.P.

ABW LEWERS MERGER SUB LLC

No Property has an associated owner's policy of title insurance.

KING STREET HOLDINGS MERGER SUB LLC

Only the following Property has an associated owner's policy of title insurance:

Property	Beneficiary
160 King Street	King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC

LOMA PALISADES MERGER SUB LLC

No Property has an associated owner's policy of title insurance.

Schedule 4.12

Existing Loans

Pacific Waikiki Holdings, L.P.

Property	Borrower / Loan Number	Lender or Servicer
The Shops at Kalakaua	Pacific Waikiki Holdings, LP / 85-0500149	Wells Fargo Commercial Mortgage Services

ABW Lewers LLC

Property	Borrower / Loan Number	Lender or Servicer
Waikiki Beach Walk - Retail	ABW 2181 Holdings LLC / 790500043001	American Savings Bank
Waikiki Beach Walk - Retail	ABW Holdings LLC / 01-0034848	Column Financial, Inc. (lender) KeyBank Real Estate Capital (servicer)

King Street Holdings, LP

Property	Borrower / Loan Number	Lender or Servicer
160 King Street	Borrowers King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC Loan Number 330063200	Cohen Financial

Loma Palisades, a California general partnership

Property	Borrower / Loan Number	Lender or Servicer
Loma Palisades	Loma Palisades, a CA general partnership / 487794745	Wells Fargo Multifamily Capital

Schedule 4.13

Franchise Agreement

None.

Schedule 4.15

Taxes

None.

Schedule 4.21

Ownership of Certain Assets

ABW Lewers LLC
ABW 2181 Holdings LLC
ABW Holdings LLC

All others:

None.

Schedule 5.03

Excluded Assets

Excluded Assets consist of any excess of Net Working Capital over Target Net Working Capital. "Net Working Capital" means current assets minus current liabilities of the relevant entity as of a date within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow. Any Excluded Assets consisting of any excess of Net Working Capital of Target Working Capital shall be distributed or paid to Pre-Formation Participants promptly after consummation of the IPO after determination by the REIT. The REITs determination of such amount shall be final and binding on all Pre-Formation Participants.

"Target Net Working Capital" means zero with respect to all entities, other than ABW Lewers, LLC; EBW Hotel, LLC; Broadway 225 Sorrento Holdings, LLC; Broadway 225 Stonecrest Holdings, LLC; and Waikele Venture Holdings, LLC, for which Target Net Working Capital will be $5,000,000, $2,050,000, $766,500, $470,000 and $1,713,500, respectively; *provided*, *however* that if the REIT adjusts Target Net Working Capital pursuant to the proviso in the first paragraph of Schedule II, Target Net Working Capital shall be such adjusted amount.

EXHIBITS

Exhibit A:	**Form of Tax Protection Agreement**
Exhibit B:	**Formation Transaction Documentation**
Exhibit C:	**Operating Partnership Agreement**
Exhibit D:	**Form of Registration Rights Agreement**
Exhibit E:	**Lock-Up Agreement**
Exhibit F:	**Order of Mergers**

Exhibit A

Form of Tax Protection Agreement

TAX PROTECTION AGREEMENT

This TAX PROTECTION AGREEMENT (this "Agreement") is entered into as of [_____, 2010], by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), each Protected Partner identified as a signatory on Schedule I, as amended from time to time, each Guaranty Partner identified as a signatory on Schedule II, as amended from time to time, and each Non-Qualified Liability Partner identified as a signatory on Schedule III, as amended from time to time.

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities, as set forth in the Formation Transaction Documentation.

WHEREAS, the Formation Transactions relate to the proposed initial public offering of the common stock of the REIT, par value $.01 per share, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code (as defined below); and

WHEREAS, as a condition to engaging in the Formation Transactions, and as an inducement to do so, the parties hereto are entering into this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINED TERMS

For purposes of this Agreement the following terms shall apply:

Section 1.1 "50% Termination" has the meaning set forth in Section 1.40.

Section 1.2 "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Section 1.3 "Agreement" has the meaning set forth in the preamble.

Section 1.4 "Approved Liability" means either:

(a) A liability of the Operating Partnership (or of an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes) with respect to which all of the following requirements are satisfied:

(i) the liability is secured by real property or other assets (the "Collateral") owned directly or indirectly by the Operating Partnership (or by an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes);

(ii) on the date on which the Operating Partnership designated such liability as a Approved Liability, the fair market value (as reasonably determined in good faith by the Operating Partnership) of the Collateral was at least 140% times the outstanding principal amount (and any accrued and unpaid interest) of the liability and any other Approved Liabilities secured by such Collateral at such time, *provided* that if interest on such liability is not required to be paid at least annually or if the documents evidencing such liability permit the borrower to borrow additional amounts that are secured by the Collateral, the outstanding principal amount of such liability shall include the maximum amount that could be so added to the principal amount of such liability without a default, *provided*, *however*, if notwithstanding the Operating Partnership's commercially reasonable efforts, it is unable to make available the Guarantee Opportunities required by this Agreement, 130% shall be substituted for 140% as set forth above;

(iii) the liability constitutes "qualified nonrecourse financing" as defined in Section 465(b)(6) of the Code with respect to the Protected Partners;

(iv) other than guaranties by the Guaranty Partners, no other person has executed any guaranties with respect to such liability; and

(v) the Collateral does not provide security for another liability (other than another Approved Liability) that ranks senior to, or *pari passu* with, the liability described in clause (i) above.

For purposes of determining whether clause (ii) has been satisfied in situations where one or more potential Approved Liabilities are secured by more than one item of Collateral, the Operating Partnership shall allocate such liabilities among such items of Collateral in proportion to their relative fair market values (as reasonably determined in good faith by the Operating Partnership);

(b) A liability of the Operating Partnership that

(i) is not secured by any of the assets of the Operating Partnership and is a general, recourse obligation of the Operating Partnership, and

(ii) is not provided by a lender that has an interest in the Operating Partnership or is related to the Operating Partnership within the meaning of Section 465(b)(3)(C) or the Code;

(c) Solely with respect to the Non-Qualified Liability Amount for each Non-Qualified Liability Partner, the applicable Non-Qualified Liabilities; or

(d) Any other indebtedness approved by the Partners' Representative (or his successor or designee) in his sole and absolute discretion.

Section 1.5 "Closing Date" has the meaning assigned to it in the applicable Pre-Formation Transaction Documentation.

Section 1.6 "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.7 "Collateral" has the meaning set forth in the definition of "Approved Liability."

Section 1.8 "Debt Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.9 "Debt Notification Event" means, with respect to an Approved Liability, any transaction in which such liability shall be refinanced, otherwise repaid (excluding for this purpose, scheduled payments of principal occurring prior to the maturity date of such liability), or guarantied by any of the REIT, the Operating Partnership, or one or more of their Affiliates, or guarantied by one or more partners of the Operating Partnership.

Section 1.10 "Exchange" has the meaning set forth in Section 2.1(b).

Section 1.11 "Formation Transaction Documentation" means all of the agreements and plans of merger and contribution agreements, substantially in the forms accompanying the Request for Consent and Private Placement Memorandum dated July [__], 2010, pursuant to which all or a portion of the equity interests in certain specified entities are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

Section 1.12 "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

Section 1.13 "Fundamental Transaction" means a merger, consolidation or other combination of the Operating Partnership with or into any other entity, a transfer of all or substantially all of the assets of the Operating Partnership, any reclassification, recapitalization or change of the outstanding equity interests of the Operating Partnership, or a conversion of the Operating Partnership into another form of entity.

Section 1.14 "Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.15 "Guarantied Liability" means any Approved Liability or Non-Qualified Liability that is guarantied, in whole or in part, by one or more Guaranty Partners or Non-Qualified Liability Partner, as applicable, in accordance with this Agreement.

Section 1.16 "Guaranty Partner" means: (i) each signatory on Schedule II attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Guaranty Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units; and (iii) with respect to a Guaranty Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.4 with respect to such Guaranty Partner, any person who (y) holds an interest in such Guaranty Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Guaranty Partner in its own gross income.

Section 1.17 "Guaranty Permissible Liability" means a liability with respect to which the lender permits a guaranty.

Section 1.18 "Guaranty Opportunity" has the meaning set forth in Section 2.4(b).

Section 1.19 "Make Whole Amount" means: (a) with respect to any Protected Partner that recognizes gain under Section 704(c) of the Code as a result of a Tax Protection Period Transfer, *the sum of* (i) *the product of* (x) the income and gain recognized by such Protected Partner under Section 704(c) of the Code in respect of such Tax Protection Period Transfer (taking into account any adjustments under Section 743 of the Code to which such Protected Partner is entitled) *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Protected Partner as a result of the receipt by a Protected Partner of a payment under Section 2.2 (the "Gross Up Amount"); *provided*, *however*, that the Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Protected Partner might have that would reduce its actual tax liability; and (b) with respect to any Guaranty Partner or Non-Qualified Liability Partner that recognizes gain as a result of a breach by the Operating Partnership of the provisions of Section 2.4 or Section 2.5 hereof, *the sum of* (i) *the product of* (x) the income and gain recognized by such Guaranty Partner or Non-Qualified Liability Partner by reason of such breach, *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Guaranty Partner or Non-Qualified Liability Partner as a result of the receipt by a Guaranty Partner or Non-Qualified Liability Partner of a payment under Section 2.4 or Section 2.5 (the "Debt Gross Up Amount"); *provided*, *however*, that the Debt Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Guaranty Partner or Non-Qualified Liability Partner might have that would reduce its actual tax liability. For purposes of calculating the amount of Section 704(c) gain that is allocated to a Protected Partner, (i) subject to clause (ii) below, any "reverse Section 704(c) gain" allocated to such partner pursuant to Treasury Regulations § 1.704-3(a)(6) shall not be taken into account, and (ii) if, as a result of adjustments to the Gross Asset Value (as defined in the OP Agreement) of the Protected Properties pursuant to clause (b) of the definition of Gross Asset Value as set forth in the OP Agreement, all or a portion of the gain recognized by the Operating Partnership that would have been Section 704(c) gain without regard to such adjustments becomes or is treated as "reverse Section 704(c) gain" or Section 704(b) gain under Section 704 of the Code, then such gain shall continue to be treated as Section 704(c) gain;

provided that the total amount of 704(c) gain and income taken into account for purpose of calculating the Make Whole Amount shall not exceed the initial Section 704(c) gain amount as of the Closing Date (whether or not equal to the estimated amount set forth on Exhibit B).

Section 1.20 "Make Whole Tax Rate" means, with respect to a Protected Partner who is entitled to receive a payment under Section 2.2 and with respect to a Guaranty Partner or Non-Qualified Liability Partner who is entitled to receive payment under Section 2.4 or Section 2.5, the highest combined statutory Federal, state and local tax rate in respect of the income or gain that gave rise to such payment, taking into account the character of the income and gain in the hands of such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable (reduced, in the case of Federal taxes, by the deduction allowed for income taxes paid to a state or locality), for the taxable year in which the event that gave rise to such payment under Section 2.2, Section 2.4 or Section 2.5 occurred. Notwithstanding the foregoing, if a Protected Partner, Guaranty Partner or Non-Qualified Liability Partner demonstrates to the reasonable satisfaction of the Operating Partnership that such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable, is not entitled to a Federal income tax deduction for all or a portion of the income taxes paid to a state or locality, the Make Whole Tax Rate applicable to such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner shall be reduced only by the deduction, if any, the Protected Partner, Guaranty Partner or Non-Qualified Liability Partner is entitled to take for such taxes.

Section 1.21 "Non-Qualified Liability" means each of the liabilities set forth on Exhibit D.

Section 1.22 "Non-Qualified Liability Amount" means the amount shown in the column labeled "Non-Qualified Liability Amount" for each Non-Qualified Liability listed below each Non-Qualified Liability Partner's name in Exhibit E.

Section 1.23 "Non-Qualified Liability Period" means the period commencing on the Closing Date and ending on the second anniversary of the Closing Date.

Section 1.24 "Non-Qualified Liability Partner" means: (i) each signatory on Schedule III attached hereto, as amended from time to time; and (ii) any person who holds OP Units and who acquired such OP Units from another Non-Qualified Liability Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units.

Section 1.25 "OP Agreement" means the Agreement of Limited Partnership of American Assets Trust, L.P., as amended from time to time.

Section 1.26 "OP Units" means common units of partnership interest in the Operating Partnership.

Section 1.27 "Operating Partnership" has the meaning set forth in the preamble.

Section 1.28 "Partners' Representative" means Ernest Rady and his executors, administrators or permitted assigns.

Section 1.29 "Pass Through Entity" means a partnership, grantor trust, or S corporation for Federal income tax purposes.

Section 1.30 "Permitted Disposition" means a sale, exchange or other disposition of OP Units (i) by a Protected Partner or Guaranty Partner: (a) to such Protected Partner's or Guaranty Partner's children, spouse or issue; (b) to a trust for such Protected Partner or Guaranty Partner or such Protected Partner's or Guaranty Partner's children, spouse or issue; (c) in the case of a trust which is a Protected Partner or Guaranty Partner, to its beneficiaries, or any of them, whether current or remainder beneficiaries; (d) to a revocable *inter vivos* trust of which such Protected Partner or Guaranty Partner is a trustee; (e) in the case of any partnership or limited liability company which is a Protected Partner or Guaranty Partner, to its partners or members; and/or (f) in the case of any corporation which is a Protected Partner or Guaranty Partner, to its shareholders, and (ii) by a party described in clauses (a), (b), (c) or (d) to a partnership, limited liability company or corporation of which the only partners, members or shareholders, as applicable, are parties described in clauses (a), (b), (c) or (d); *provided*, that for purposes of the definition of Tax Protection Period, such Protected Partner or Guaranty Partner shall be treated as continuing to own any OP Units which were subject to a Permitted Disposition unless and until there has been a sale, exchange or other disposition of such OP Units by a permitted transferee which is not another Permitted Disposition.

Section 1.31 "Person" means an individual or a corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

Section 1.32 "Protected Partner" means: (i) each signatory on Schedule I attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Protected Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Protected Partner in such OP Units; and (iii) with respect to a Protected Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.2 with respect to such Protected Partner, any person who (y) holds an interest in such Protected Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Protected Partner in its own gross income.

Section 1.33 "Protected Property" means each property identified on Exhibit A hereto and each property acquired in Exchange for a Protected Property as set forth in Section 2.1(b).

Section 1.34 "Representation, Warranty and Indemnity Agreement" means that certain Representation, Warranty and Indemnity Agreement, made and entered into as of [ ], 2010, by and amount the REIT, the Operating Partnership and Ernest Rady Trust U/D/T March 10, 1983, as amended.

Section 1.35 "Required Liability Amount" means, with respect to each Guaranty Partner, 110% of such Guaranty Partner's estimated "negative tax capital account" as of the Closing Date, a current estimate of which is set forth on Exhibit C hereto for each such Guaranty Partner.

Section 1.36 "REIT" has the meaning set forth in the preamble.

Section 1.38 "Section 2.4 Notice" has the meaning set forth in Section 2.4(c).

Section 1.39 "Section 2.5 Notice" has the meaning set forth in Section 2.5(c).

Section 1.40 "Tax Protection Period" means the period commencing on the Closing Date and ending on the seventh (7th) anniversary of the Closing Date; *provided*, *however*, that such period shall end with respect to any Protected Partner or Guaranty Partner to the extent that such Partner owns less than fifty percent (50%) of the OP Units originally received by the Protected Partner or Guaranty Partner in the Formation Transactions, disregarding the sale, exchange or other disposition of any such OP Units sold, exchanged or otherwise disposed of by the Protected Partner or Guaranty Partner in a Permitted Disposition (such an event, a "50% Termination"); *provided further, however*, that notwithstanding the forgoing, the Tax Protection Period will terminate for all Protected Partners and Guaranty Partners upon the later of the death of Ernest Rady and the death of his wife.

Section 1.41 "Tax Protection Period Transfer" has the meaning set forth in Section 2.1(a).

Section 1.42 "Transfer" means any direct or indirect sale, exchange, transfer or other disposition, whether voluntary or involuntary.

Section 1.43 "Treasury Regulations" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II

TAX PROTECTIONS

Section 2.1 Taxable Transfers.

(a) Unless the Partners' Representative expressly consents in writing to a Tax Protection Period Transfer (for the avoidance of doubt, no vote in favor of a Tax Protection Period Transfer by the Partners' Representative or any of its Affiliates or by a Protected Partner, in each case in its capacity as owner shares of the REIT or OP Units, shall constitute consent), during the Tax Protection Period, the Operating Partnership shall indemnify the Protected Partners as set forth in Section 2.2 if the Operating Partnership or any entity in which the Operating Partnership holds a direct or indirect interest shall cause or permit (i) any Transfer of all or any portion of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property) in a transaction that would result in the recognition of taxable income or gain by any Protected Partner under Section 704(c) of the Code, or (ii) any Fundamental Transaction that would result in the recognition of taxable income or gain to any Protected Partner (a Fundamental Transaction and a Transfer, collectively a "Tax Protection Period Transfer").

(b) Section 2.1(a) shall not apply to any Tax Protection Period Transfer of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property): (i) in a transaction in which no gain is required to be recognized by a Protected Partner (an "Exchange"), including a transaction qualifying under Section 1031 or Section 721 (or any successor statutes) of the Code; *provided*, *however*, that any property acquired by the Operating Partnership in the Exchange shall remain subject to the provisions of this Article II in place of the exchanged Protected Property for the remainder of the Tax Protection Period; (ii) as a result of the condemnation or other taking of any Protected Property by a governmental entity in an eminent domain proceeding or otherwise, provided that the Operating Partnership shall use commercially reasonable efforts to structure such disposition as either a tax-free like-kind exchange under Section 1031 or a tax-free reinvestment of proceeds under Section 1033, provided that in no event shall the Operating Partnership be obligated to acquire or invest in any property that it otherwise would not have acquired or invested in.

(c) For any taxable Transfer of all or any portion of any property of the Operating Partnership which is not a Tax Protection Period Transfer, the Operating Partnership shall use commercially reasonable efforts to cooperate with the Limited Partners to minimize any taxes payable by the Limited Partners in connection with any such Transfers.

Section 2.2 Indemnification for Taxable Transfers.

(a) In the event of a Tax Protection Period Transfer described in Section 2.1(a), each Protected Partner shall, within 30 days after the closing of such Tax Protection Period Transfer, receive from the Operating Partnership an amount of cash equal to the estimated Make Whole Amount applicable to such Tax Protection Period Transfer. If it is later determined that the true Make Whole Amount applicable to a Protected Partner exceeds the estimated Make Whole Amount applicable to such Protected Partner, then the Operating Partnership shall pay such excess to such Protected Partner within 90 days after the closing of the Tax Protection Period Transfer, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Protected Partner shall promptly refund such excess to the Operating Partnership, but only to the extent such excess was actually received by such Protected Partner.

(b) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Protected Partner under Section 2.1(a) shall be a claim against the Operating Partnership for the Make Whole Amount as set forth in this Section 2.2, and no Protected Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.1(a) or bring a claim against any person that acquires a Protected Property from the Operating Partnership in violation of Section 2.1(a).

Section 2.3 Section 704(c) Gains. A good faith estimate of the initial amount of Section 704(c) gain allocable to each Protected Partner as of the Closing Date of each OP Merger is set forth on Exhibit B hereto. The parties acknowledge that the initial amount of such Section 704(c) gain may be adjusted over time as required by Section 704(c) of the Code and the Regulations promulgated thereunder.

Section 2.4 Approved Liability Maintenance and Allocation.

(a) During the Tax Protection Period, the Operating Partnership shall: (1) maintain on a continuous basis an amount of Approved Liabilities at least equal to the Required Liability Amount; and (2) provide the Partners' Representative, promptly upon request, with a description of the nature and amount of any Approved Liabilities that are available to be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall not be required to maintain any amount of Approved Liabilities in excess of the aggregate Required Liability Amount of all Guaranty Partners.

(b) (i) During the Tax Protection Period, the Operating Partnership shall provide each Guaranty Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of one or more Approved Liabilities that are Guaranty Permissible Liabilities in an amount up to such Guaranty Partner's Required Liability Amount (each such opportunity and each opportunity required by Section 2.4(c), Section 2.5(b),and Section 2.5(c), a "Guaranty Opportunity"), and (ii) after the Tax Protection Period, and for so long as a Guaranty Partner has not had a 50% Termination, the Operating Partnership shall use commercially reasonable efforts to make Guaranty Opportunities available to each Guaranty Partner, provided that in the case of this clause (ii), the Operating Partnership shall not be required to incur any indebtedness that it would not otherwise have incurred, as determined by the Operating Partnership in its reasonable discretion; *provided*, *however*, that in the case of clauses (i) and (ii) the aggregate amount of all guaranties required to be made available by the Operating Partnership for execution by all Guaranty Partners need not exceed the aggregate Required Liability Amount of all Guaranty Partners. The Operating Partnership shall have the discretion to identify the Approved Liability or Approved Liabilities that shall be made available for guaranty by each Guaranty Partner. Each Guaranty Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Guaranty Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any debt subject to a Guaranty to the applicable Guaranty Partners. Each Guaranty Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Guaranty Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Guaranty Partner.

(c) During the Tax Protection Period, the Operating Partnership shall not allow a Debt Notification Event to occur unless the Operating Partnership provides at least thirty (30) days' written notice (a "Section 2.4 Notice") to each Guaranty Partner that may be affected thereby. The Section 2.4 Notice shall describe the Debt Notification Event and designate one or more Approved Liabilities that may be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement in an amount equal to the amount of the refinanced or repaid Approved Liability that was guarantied by such Guaranty Partner immediately prior to the date of the refinancing or repayment. Any Guaranty Partner that desires to execute a guaranty following the receipt of a Section 2.4 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.4 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.4(a), (b) and (c) of this Agreement, it shall have no liability to a Guaranty Partner

under Section 2.4(e) for breach of Section 2.4, whether or not such Guaranty Partner accepts its Guaranty Opportunity. Furthermore, the Operating Partnership makes no representation or warranty to any Guaranty Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Guaranty Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.4 or an act or omission that is indemnifiable under Section 2.4(e) of this Agreement).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.4, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Guaranty Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Guaranty Partner exceeds the estimated Make Whole Amount applicable to such Guaranty Partner, then the Operating Partnership shall pay such excess to such Guaranty Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Guaranty Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Guaranty Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Guaranty Partner for a breach or violation of the covenants set forth in Section 2.4 shall be a claim a claim against the Operating Partnership for the Make Whole Amount as set forth in Section 2.4(e), and no Guaranty Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.4.

(g) Notwithstanding any provision of this Section 2.4 to the contrary, to the extent a Guaranty Partner is also a Non-Qualified Liability Partner that has guaranteed Non-Qualified Liabilities pursuant to Section 2.5, the amount of such guaranteed liabilities shall be treated as the Operating Partnership's satisfaction of that amount of its obligation to provide a Guaranty Opportunity under this Section 2.4, and such liabilities shall be treated as an Approved Liability for purposes of this Section 2.4, including for purposes of determining whether a Section 2.4 Notice and substitute Approved Liability are required.

Section 2.5 Non-Qualified Liability Maintenance and Allocation.

(a) During the Non-Qualified Liability Period, the Operating Partnership shall not repay any Non-Qualified Liability (excluding any scheduled payments of principal occurring pursuant to the terms of such Non-Qualified Liability) which has been guarantied by a Non-Qualified Liability Partner pursuant to Section 2.5(b) unless: (i) the Operating Partnership repays such Non-Qualified Liability with proceeds generated by its incurrence of other liabilities which each such Non-Qualified Liability Partner is offered an opportunity to guaranty; or (ii) the Partners' Representative consents in writing to such repayment.

(b) During the Non-Qualified Liability Period, the Operating Partnership shall use commercially reasonable efforts to provide each Non-Qualified Liability Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of each Non-Qualified Liability listed below such Non-Qualified Liability Partner's name in Exhibit E in an amount up to such Non-Qualified Liability Partner's Non-Qualified Liability Amount. Each Non-Qualified Liability Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Non-Qualified Liability Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any Guarantied Liability to the applicable Non-Qualified Liability Partners. Each Non-Qualified Liability Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Non-Qualified Liability Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Non-Qualified Liability Partner.

(c) During the Non-Qualified Liability Period, if the Operating Partnership intends to repay any Non-Qualified Liability with proceeds generated by its incurrence of other liabilities as provided in Section 2.5(a)(i), the Operating Partnership shall provide at least thirty (30) days' written notice (a "Section 2.5 Notice") to each Non-Qualified Liability Partner that may be affected thereby. The Section 2.5 Notice shall describe which Non-Qualified Liability is being repaid and the nature and amount of the liability, if any, being incurred to repay such Non-Qualified Liability. The Operating Partnership shall use commercially reasonable efforts to make available to each affected Non-Qualified Liability Partner the opportunity to guaranty any such newly-incurred liability in the same manner as provided in Section 2.5(b) in an amount equal to the amount of the repaid Non-Qualified Liability that was guarantied by such Non-Qualified Liability Partner immediately prior to the date of the repayment. Any Non-Qualified Liability Partner that desires to execute a guaranty following the receipt of a Section 2.5 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.5 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.5(a), (b) and (c) of this Agreement, it shall have no liability to any Non-Qualified Liability Partner for breach of Section 2.5, whether or not such Non-Qualified Liability Partner accepts its Guaranty Opportunity. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall have no liability to any Non-Qualified Liability Partner if the Operating Partnership is unable, despite its commercially reasonable efforts, to provide each Non-Qualified Liability Partner with the opportunity to guaranty a Non-Qualified Liability. Furthermore, the Operating Partnership makes no representation or warranty to any Non-Qualified Liability Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Non-Qualified Liability Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.5).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.5, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Non-Qualified Liability Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Non-Qualified Liability Partner exceeds the estimated Make Whole Amount applicable to such Non-Qualified Liability Partner, then the Operating Partnership shall pay such excess to such Non-Qualified Liability Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Non-Qualified Liability Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Non-Qualified Liability Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, no Non-Qualified Liability Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.5.

Section 2.7 Dispute Resolution. Any controversy, dispute, or claim of any nature arising out of, in connection with, or in relation to the interpretation, performance, enforcement or breach of this Agreement (and any closing document executed in connection herewith) shall be governed by Section 5.08 of the Representation, Warranty and Indemnity Agreement.

ARTICLE III

GENERAL PROVISIONS

Section 3.1 Notices. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms of this Agreement shall be given in the same manner as in the OP Agreement.

Section 3.2 Titles and Captions. All Article or Section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” and “Sections” are to Articles and Sections of this Agreement.

Section 3.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 3.4 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain form taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 3.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 3.6 Creditors. Other than as expressly set forth herein, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Operating Partnership.

Section 3.7 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any covenant, duty, agreement or condition.

Section 3.8 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.9 Applicable Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California, without regard to the principles of conflicts of law.

Section 3.10 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of other remaining provisions contained herein shall not be affected thereby.

Section 3.11 Entire Agreement. This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and amends, restates and supersedes the OP Agreement and any other prior written or oral understandings or agreements among them with respect thereto.

Section 3.12 No Rights as Stockholders. Nothing contained in this Agreement shall be construed as conferring upon the holders of the OP Units any rights whatsoever as stockholders of the REIT, including, without limitation, any right to receive dividends or other distributions made to stockholders of the REIT or to vote or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the REIT or any other matter.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

REIT:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: _____
Name: _____
Title: _____

OPERATING PARTNERSHIP:

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.
a Maryland corporation,
Its General Partner

By: _____
Name: _____
Title : _____

SCHEDULE I

PROTECTED PARTNERS

See attached.

SCHEDULE II

GUARANTY PARTNERS

See attached.

SCHEDULE III

NON-QUALIFIED LIABILITY PARTNERS

See attached.

EXHIBIT A

PROTECTED PROPERTIES

Property Name
Carmel Country Plaza
Carmel Mountain Plaza
Del Monte Center
ICW Plaza
Loma Palisades
Lomas Santa Fe Plaza
Waikele Center

EXHIBIT B

ESTIMATED ALLOCATIONS OF SECTION 704(c) GAIN

See attached.

EXHIBIT C

REQUIRED LIABILITY AMOUNT

See attached.

EXHIBIT D

NON-QUALIFIED LIABILITIES

See attached.

EXHIBIT E

NON-QUALIFIED LIABILITY AMOUNT

See attached.

EXHIBIT F

FORM OF GUARANTY

See attached.

Exhibit B

Formation Transaction Documentation

Form of Forward REIT Merger Agreement

Form of REIT Sub Forward Merger Agreement

Form of Forward OP Merger Agreement

Form of OP Sub Forward Merger Agreement

Form of OP Sub Reverse Merger Agreement

Form of OP Contribution Agreement

Form of OP Sub Contribution Agreement

Form of Alternate Contribution Agreement

Form of Tax Protection Agreement

Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.

Registration Rights Agreement

Representation, Warranty and Indemnity Agreement

Indemnity Escrow Agreement

Lock-Up Agreement

Articles of Amendment and Restatement of American Assets Trust, Inc.

Bylaws of American Assets Trust, Inc.

Management Business Contribution Agreement

Exhibit C

Operating Partnership Agreement

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
AMERICAN ASSETS TRUST, L.P.
a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [ ], 2010

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Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [_____], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [_____], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

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

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

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

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

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares

issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided*, *however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

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

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

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

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

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

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

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

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

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

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

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

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

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

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

"*Common Unit Economic Balance*" means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner's Partnership Common Units.

"*Consent*" means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms "*Consented*" and "*Consenting*" have correlative meanings.

"*Consent of the General Partner*" means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

"*Consent of the Limited Partners*" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

"*Consent of the Partners*" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided*, *however*, that, if any such action affects only certain classes or series of Partnership Interests, "Consent of the Partners" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

"*Constituent Person*" has the meaning set forth in Section 16.9.F hereof.

"*Contributed Property*" means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a "new" partnership pursuant to Code Section 708).

"*Controlled Entity*" means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits and (d) any limited liability company

of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

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

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

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

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

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Family Members*" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

"*Final Adjustment*" has the meaning set forth in Section 10.3.B(2) hereof.

"*Flow-Through Partners*" has the meaning set forth in Section 3.4.C hereof.

"*Flow-Through Entity*" has the meaning set forth in Section 3.4.C hereof.

"*Forced Conversion*" has the meaning set forth in Section 16.9.C hereof.

"*Forced Conversion Notice*" has the meaning set forth in Section 16.9.C hereof.

"*Fourteen-Month Period*" means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party's first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

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

"*General Partner*" means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on Exhibit A, as such Exhibit A may be amended from time to time, in such Person's capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

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

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

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

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

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

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

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

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

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the

appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

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

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

"*LTIP Units*" means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

"*Majority in Interest of the Limited Partners*" means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

"*Majority in Interest of the Partners*" means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

"*Market Price*" has the meaning set forth in the definition of "*Value*."

"*Maryland Courts*" has the meaning set forth in Section 15.9.B hereof.

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss" shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss," shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

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

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

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

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

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

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

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

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

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt

were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

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

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established within ten (10) Business Days of the record date for the determination of the existence of such Partnership Approval, then Partnership Approval shall be deemed not to exist with respect to the event constituting such General Partner Interest Transfer.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in

Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

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

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided*, *however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

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

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"*SDAT*" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a

"taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT

Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation*. The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name*. The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office*. The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such

other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

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

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

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

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term*. The term of the Partnership commenced on [_____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities*. All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business*. The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified*. The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a "partnership at will" (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the

meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an

individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

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

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing

services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to

the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment

Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the General Partner shall sell to such Partnership Subsidiary), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the Partnership Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

D. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares*.

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the same as the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares ("*Partnership Equivalent Units*") equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the

Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares.* Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its

sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term "Partnership Year" may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

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

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

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

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being

allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4)

and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. *Allocation of Excess Nonrecourse Liabilities*. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

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

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

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

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

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

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

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

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

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating

to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

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

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

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

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

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

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

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

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

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is

entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several,

expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

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

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

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

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

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

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

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

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

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

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

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

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

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

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been

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

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such

opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

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

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner*. No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year*. For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns*. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections*. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

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

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a "notice partner" (as defined in Code Section 6231) or a member of a "notice group" (as defined in Code Section 6223(b)(2));

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

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

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

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

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

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

Section 10.4 *Withholding*. Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan

if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses*. The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any

other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. The General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its stockholders (each of a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of

its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided, however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided, further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided, however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided, further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided, however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by

the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within

the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be

subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions.*

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii)

in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner*. A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate Consent of the Limited Partners or the consent or approval of any other Partners. Any such

successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission

shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership*. For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners*. Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission.* A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution*. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

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

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

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

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

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

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution*. Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax

purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders*. Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution*. In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership*. Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up*. A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided, however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS
OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners*. The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments*. Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the

proposal; *provided, however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action, (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion,

redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided, however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or

restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice*. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions.* All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as

specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals.* Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action.* The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver*.

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

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided*, *however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided*, *further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts.* This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

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

event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement.* This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions.* If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status.* Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, however, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition.* No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby.* The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third

party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders.* Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation.* A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting.*

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and

with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments.* The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP

Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations.* Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers.* Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption.* The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend.* Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units

covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be

reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special

allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting.* LTIP Unit Limited Partners shall (a) have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter. So long as any LTIP Units remain outstanding and except as provided in Section 16.3, the Partnership shall not, without the Consent of the Limited Partners holding a majority of the LTIP Units held by Limited Partners at the time (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of the Agreement applicable to LTIP Units so as to materially and adversely affect any right, privilege or voting power of the LTIP Units or the LTIP Unit Limited Partners as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners holding Partnership Common Units; but subject, in any event, to the following provisions: (i) with respect to any Transaction, so long as the LTIP Units are treated in accordance with Section 16.9.F hereof, the consummation of such Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such; and (ii) any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Partnership Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such. The foregoing voting provisions will not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted or provision is made for such conversion to occur as of or prior to such time into Partnership Common Units.

Section 16.11 *Section 83 Safe Harbor.* Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such

election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: _____
Name:
Its:

LIMITED PARTNER:
[,
a],

By: _____
Name:
Its:

LIMITED PARTNER:

_____
Name:

As of [ ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	**Partnership Units (Type and Amount)**
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL:	[ ] Partnership Common Units

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [_____] is 1.0 and (b) on [_____] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

_____

_____

_____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [ ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: _____

Name of Limited Partner or Assignee:

(Signature of Limited Partner or Assignee)

(Street Address)

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

Issue Check Payable to:

Please insert social security
or identifying number:

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT
LTIP UNITS INTO PARTNERSHIP COMMON UNITS

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____
Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

_____
(Signature of Holder)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to: _____

Please insert social security
or identifying number: _____

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

Exhibit D

Form of Registration Rights Agreement

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [_____], 2010 by and among American Assets Trust, Inc., a Maryland corporation (the "Company"), and the holders listed on Schedule I hereto (each an "Initial Holder" and, collectively, the "Initial Holders").

RECITALS

WHEREAS, in connection with the initial public offering (the "IPO") of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), the Company and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), have concurrently engaged in certain formation transactions (the "Formation Transactions"), pursuant to which the Initial Holders have concurrently received, in exchange for their (or certain related parties') respective interests in the entities participating in the Formation Transactions or in exchange for services rendered, (i) common units of limited partnership interest in the Operating Partnership ("Common OP Units") and/or (iii) shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions contained in the Operating Partnership Agreement (as defined below), Common OP Units will be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock;

WHEREAS, as a condition to receiving the consent of the Initial Holders to the Formation Transactions, the Company has agreed to grant the Initial Holders and their permitted assignees and transferees the registration rights set forth in Article II hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the definitions set forth above, the following terms, as used herein, have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Registration Rights Agreement, as it may be amended, supplemented or restated from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, New York or San Diego, California are authorized by law to close.

"Charter" means the Articles of Amendment and Restatement of the Company as filed with the Secretary of State of the State of Maryland on [_____], 2010, as the same may be amended, modified or restated from time to time.

"Commission" means the Securities and Exchange Commission.

"Company Piggy-Back Registration" has the meaning set forth in Section 2.1(a).

"Effectiveness Period" has the meaning set forth in Section 2.4(b).

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

"Exchangeable Common OP Units" means Common OP Units which may be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock pursuant to the Operating Partnership Agreement (without regard to any limitations on the exercise of such exchange right as a result of the Ownership Limit Provisions).

"Holder" means (i) any Initial Holder who is the record or beneficial owner of any Registrable Security or (ii) any assignee or transferee of such Initial Holder (including assignments or transfers of Registrable Securities to such assignees or transferees as a result of the foreclosure on any loans secured by such Registrable Securities) (x) to the extent permitted under the Operating Partnership Agreement or the Charter, as applicable, and (y) provided such assignee or transferee agrees in writing to be bound by all the provisions hereof.

"Indemnified Party" has the meaning set forth in Section 2.10.

"Indemnifying Party" has the meaning set forth in Section 2.10.

"Initial Period" means a period commencing on the date hereof and ending 365 days following the effective date of the first Resale Shelf Registration Statement (except that, if the shares of Common Stock issuable upon exchange of Exchangeable Common OP Units received in the Formation Transactions are not included in that Resale Shelf Registration Statement as a result of Section 2.4(b), the 365 days shall not begin until the later of the effective date of (i) the first Resale Shelf Registration Statement and (ii) the first Issuer Shelf Registration Statement).

"Issuer Shelf Registration Statement" has the meaning set forth in Section 2.4(b).

"Market Value" means, with respect to the Common Stock, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date of a written request for registration pursuant to Section 2.1(a). The market price for each such

trading day shall be: (i) if the Common Stock is listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, in either case as reported in the principal consolidated transaction reporting system, (ii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the Company, or (iii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Market Value of the Common Stock shall be determined by the Board of Directors of the Company acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"Notice and Questionnaire" means a written notice, substantially in the form attached as Exhibit A , delivered by a Holder to the Company (i) notifying the Company of such Holder's desire to include Registrable Securities held by it in a Resale Shelf Registration Statement, (ii) containing all information about such Holder required to be included in such registration statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto, and (iii) pursuant to which such Holder agrees to be bound by the terms and conditions hereof.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of [_____], 2010, as the same may be amended, modified or restated from time to time.

"Ownership Limit Provisions" mean the various provisions of the Company's Charter set forth in Article [____] thereof restricting the ownership of Common Stock by Persons to specified percentages of the outstanding Common Stock.

"Person" means an individual or a corporation, partnership, limited liability company, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Rady Demand Registration" has the meaning set forth in Section 2.1(a).

"Rady Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Rady Holder" means a Holder that is Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or

the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns.

"Rady Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Registrable Securities" means with respect to any Holder, shares of Common Stock owned, either of record or beneficially, by such Holder that were (a) received by such Holder or an Initial Holder in the Formation Transactions, (b) acquired by such Holder or an Initial Holder directly from the Underwriters or the Company in the IPO, in each case in a transaction disclosed in the registration statement relating to the IPO, (c) issued or issuable upon exchange of Exchangeable Common OP Units received by such Holder or an Initial Holder in the Formation Transactions, (d) solely in the case of any Rady Holder, any Common Stock acquired by such Rady Holder in the open market after the date hereof and prior to the first (1st) anniversary of the date hereof, and, (e) in the case of (a), (b), (c) and (d), any additional shares of Common Stock issued as a dividend or distribution on, in exchange for, or otherwise in respect of, such shares (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or otherwise).

As to any particular Registrable Securities, they shall cease to be Registrable Securities at the earliest time as one of the following shall have occurred: (i) a registration statement (including a Resale Shelf Registration Statement) covering such shares has been declared effective by the Commission and all such shares have been disposed of pursuant to such effective registration statement or unless such shares (other than Restricted Shares) were issued pursuant to an effective registration statement (including an Issuer Shelf Registration Statement), (ii) such shares have been publicly sold under Rule 144, (iii) all such shares may be sold in one transaction pursuant to Rule 144 or (iv) such shares have been otherwise transferred in a transaction that constitutes a sale thereof under the Securities Act, the Company has delivered to the Holder's transferee a new certificate or other evidence of ownership for such shares not bearing the Securities Act restricted stock legend and such shares subsequently may be resold or otherwise transferred by such transferee without registration under the Securities Act.

"Registration Expenses" shall have the meaning set forth in Section 2.2.

"Resale Shelf Registration" shall have the meaning set forth in Section 2.4(a).

"Resale Shelf Registration Statement" shall have the meaning set forth in Section 2.4(a).

"Restricted Shares" means shares of Common Stock issued under an Issuer Shelf Registration Statement which if sold by the holder thereof would constitute "restricted securities" as defined under Rule 144.

"Rule 144" means Rule 144 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Rule 415" means Rule 415 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Securities Act" means the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act pursuant to the terms hereof.

"Shelf Registration Statement" means a Resale Shelf Registration Statement and/or an Issuer Shelf Registration Statement.

"Suspension Notice" means any written notice delivered by the Company pursuant to Section 2.14 with respect to the suspension of rights under a Resale Shelf Registration Statement or any prospectus contained therein.

"Underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

ARTICLE II
REGISTRATION RIGHTS

Section 2.1. Underwritten Demand Registration.

(a) Commencing on or after the date that is three hundred sixty five (365) days after the consummation date of the IPO and until such time as a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) has been declared effective, or if at any time on or after the date that is sixteen (16) months after the consummation date of the IPO, a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) shall not be effective, the majority in interest of the Rady Holder(s) may make written requests to the Company for one or more registrations of underwritten offerings under the Securities Act of all or part of their Common Stock constituting Registrable Securities (a "Rady Demand Registration"). The Company shall prepare and file a registration statement on an appropriate form with respect to any Rady Demand Registration (the "Rady Demand Registration Statement") and shall use its reasonable efforts to cause the Rady Demand Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof. Any request for a Rady Demand Registration will specify the number of shares of Registrable Securities proposed to be sold in the underwritten offering. The Company shall have the opportunity to register such number of shares of Common Stock as it may elect on the Rady Demand Registration Statement and as part of the same underwritten offering in connection with a Rady Demand Registration (a "Company Piggy-Back Registration"). Unless a majority in interest of the Rady Holders participating in such Rady Demand Registration shall consent in writing, no party, other than the Company, shall be permitted to offer securities in connection with any such Rady Demand Registration.

(b) Underwriters. The Company shall select the book-running managing Underwriter in connection with any Rady Demand Registration; provided that such managing Underwriter must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration. The Company may select any additional investment banks and managers to be used in connection with the offering; provided that such additional investment bankers and managers must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration.

Section 2.2. Piggy-Back Registration. If the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock by the Company for its own account (other than (i) any registration statement filed in connection with a demand registration by a party other than a Rady Holder or (ii) a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission) or filed in connection with an exchange offer or offering of securities solely to the Company's existing securityholders), then the Company shall give written notice of such proposed filing to the Rady Holders as soon as practicable (but in no event less than ten (10) days before the anticipated filing date), and such notice shall offer such Rady Holders the opportunity to register such number of shares of Registrable Securities as each such Rady Holder may request (a "Rady Piggy-Back Registration"); provided, that if and so long as a Shelf Registration Statement is on file and effective, then the Company shall have no obligation to effect a Rady Piggy-Back Registration. The Company shall use its commercially reasonable efforts to cause the managing Underwriter(s)of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Rady Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company included therein.

Section 2.3. Reduction of Offering. Notwithstanding anything contained in Sections 2.1 and 2.2, if the managing Underwriter(s) of an offering described in Section 2.1 or 2.2 advise in writing the Company and the Rady Holders that the size of the intended offering is such that the success of the offering would be significantly and adversely affected by inclusion of (i) the Registrable Securities requested to be included by the Rady Holders in a Rady Piggy-Back Registration or (ii)the Common Stock requested to be included by the Company in a Rady Demand Registration/Company Piggy-Back Registration, then: (x) in the case of a Rady Demand Registration/ Company Piggy-Back Registration, the amount of the Common Stock to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering;and (y) in the caseof a Rady Piggy-Back Registration, the amount of securities to be offered for the accounts of Rady Holders shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Rady Holders shall not be reduced to less than thirty percent (30%) of the total number of securities to be included in such offering.

Section 2.4. Shelf Registration.

(a) Subject to Section 2.14, the Company shall prepare and file not later than fourteen (14) months after the consummation date of the IPO, a "shelf" registration statement with respect to the resale of the Registrable Securities ("Resale Shelf Registration") by the Holders thereof on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration Statement") and permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Resale Shelf Registration Statement. The Company shall use its reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof, and, subject to Sections 2.4(d) and 2.14, to keep such Resale Shelf Registration Statement continuously effective for a period ending when all shares of Common Stock covered by the Resale Shelf Registration Statement are no longer Registrable Securities.

At the time the Resale Shelf Registration Statement is declared effective, each Holder that has delivered a duly completed and executed Notice and Questionnaire to the Company on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of Registrable Securities in accordance with applicable law. If required by applicable law, subject to the terms and conditions hereof, after effectiveness of the Resale Shelf Registration Statement, the Company shall file a supplement to such prospectus or amendment to the Resale Shelf Registration Statement not less than once a quarter as necessary to name as selling securityholders therein any Holders that provide to the Company a duly completed and executed Notice and Questionnaire and shall use reasonable efforts to cause any post-effective amendment to such Resale Shelf Registration Statement filed for such purpose to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof.

(b) The Company may, at its option, satisfy its obligation to prepare and file a Resale Shelf Registration Statement pursuant to Section 2.4(a) with respect to shares of Common Stock issuable upon exchange of Exchangeable Common OP Units by preparing and filing with the Commission not later than fourteen (14) months after the consummation date of the IPO a registration statement on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (an "Issuer Shelf Registration Statement") providing for (i) the issuance by the Company, from time to time, to the Holders of such Exchangeable Common OP Units, of shares of Common Stock registered under the Securities Act (the "Primary Shares") and (ii) to the extent such Primary Shares constitute Restricted Shares, the registered resale thereof by their Holders from time to time in accordance with the methods of distribution elected by the Holders and set forth therein (but except as provided in Section 2.4(c) below, not an underwritten offering). The Company shall use its reasonable efforts to cause the Issuer Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after filing thereof and, subject to Sections 2.4(d) and 2.14, to keep the Issuer Shelf Registration Statement continuously effective for a period (the "Effectiveness Period") expiring on the date all of the shares of Common Stock covered by such Issuer Shelf Registration Statement have been issued by the Company pursuant thereto or are no longer Registrable Securities. If the Company shall exercise its rights under this Section 2.4(b), Holders (other than Holders of Restricted Shares) shall have

no right to have shares of Common Stock issued or issuable upon exchange of Exchangeable Common OP Units included in a Resale Shelf Registration Statement pursuant to Section 2.4(a).

(c) Underwritten Registered Resales. Any offering under a Resale Shelf Registration Statement or by Holders under an Issuer Shelf Registration Statement shall be underwritten at the written request of Holders of Registrable Securities under such registration statement that hold in the aggregate at least ten percent 10% of the Registrable Securities originally issued in the Formation Transactions (provided, that the Registrable Securities requested to be registered in such underwritten offering shall either (i) have a Market Value of at least $25,000,000 on the date of such request or (ii) shall represent all remaining Registrable Securities held by all Rady Holders and shall have a Market Value of at least $10,000,000 on the date of such request; provided, further, that the Company shall not be obligated to effect more than three (3) underwritten offerings under this Section 2.4(c); and provided, further, that the Company shall not be obligated to effect, or take any action to effect, an underwritten offering (i) within 120 days following the last date on which an underwritten offering was effected pursuant to this Section 2.4(c) or Section 2.1(a) or during any lock-up period required by the Underwriters in any prior underwritten offering conducted by the Company on its own behalf or on behalf of selling stockholders, or (ii) during the period commencing with the date thirty (30) days prior to the Company's good faith estimate of the date of filing of (provided the Company is actively employed in good faith commercially reasonable efforts to file such registration statement), and ending on a date ninety (90) days after the effective date of, a registration statement with respect to an offering by the Company. Any request for an underwritten offering hereunder shall be made to the Company in accordance with the notice provisions of this Agreement.

(d) Subsequent Filing. The Company shall prepare and file such additional registration statements as necessary every three (3) years and use its reasonable efforts to cause such registration statements to be declared effective by the Commission so that a Shelf Registration Statement remains continuously effective, subject to Section 2.14, with respect to resales of Registrable Securities as and for the periods required under Section 2.4(a) or (b), as applicable (such subsequent registration statements to constitute a Resale Shelf Registration Statement or an Issuer Shelf Registration Statement, as the case may be, hereunder).

(e) Selling Holders Become Party to Agreement. Each Holder acknowledges that by participating in its registration rights pursuant to this Agreement, such Holder will be deemed a party to this Agreement and will be bound by its terms, notwithstanding such Holder's failure to deliver a Notice and Questionnaire; provided, that any Holder that has not delivered a duly completed and executed Notice and Questionnaire shall not be entitled to be named as a Selling Holder in, or have the Registrable Securities held by it covered by, a Shelf Registration Statement.

Section 2.5. Reduction of Offering. Notwithstanding anything contained herein, if the managing Underwriter(s) of an offering described in Section 2.4(c) advise in writing the Company and the Holder(s) of the Registrable Securities included in such offering that the size of the intended offering is such that the success of the offering would be significantly adversely

affected by inclusion of all the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders shall be reduced pro rata (according to the Registrable Securities requested for inclusion) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s) but in priority to any securities proposed to be sold by any other holders of securities of the Company with registration rights to participate therein. The Company shall have the opportunity to include such number of securities as it may elect in an offering described in Section 2.4(c); provided, if the managing Underwriter(s) of such offering advise in writing the Company and the Holder(s) of the Registrable Securities requested to be included that the success of the offering would be significantly adversely affected by inclusion of all the securities requested to be included by the Company, then the amount of securities to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s); provided, further, the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering.

Section 2.6. Registration Procedures; Filings; Information. Subject to Section 2.14 hereof, in connection with any Resale Shelf Registration Statement under Section 2.4(a), the Company will use its reasonable efforts to effect the registration of the Registrable Securities covered thereby in accordance with the intended method of disposition thereof as quickly as practicable, and, in connection with any Issuer Shelf Registration Statement under Section 2.4(b), the Company will use its reasonable efforts to effect the registration of the Primary Shares (including for resale, to the extent provided in clause (ii) of Section 2.4(b)) as quickly as reasonably practicable. In connection with any Shelf Registration Statement:

(a) The Company will no later than two (2) Business Days prior to filing a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) or prospectus or any amendment or supplement thereto, furnish to each Selling Holder and each Underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter furnish to such Selling Holder and Underwriter, if any, such number of conformed copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder or Underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder.

(b) After the filing of a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(c) The Company will use its reasonable efforts to (i) register or qualify the Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States (where an exemption does not apply) as any Selling Holder or managing Underwriter(s), if any, reasonably (in light of such Selling Holder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition of the Registrable Securities owned by such Selling Holder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (c), (B) subject itself to general taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction. The Company will promptly notify each Selling Holder of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company will immediately notify each Selling Holder of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the Company's receipt of any notification of the suspension of the qualification of any Registrable Securities covered by a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) for sale in any jurisdiction; or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and promptly make available to each Selling Holder any such supplement or amendment.

(e) The Company will otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder (or any successor rule or regulation hereafter adopted by the Commission).

(f) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will enter into and perform its obligations under customary agreements (including an underwriting agreement, if any, in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities (including, to the extent reasonably requested by the lead or managing Underwriters, sending appropriate officers of the Company to attend "road shows" scheduled in reasonable number and at reasonable times in connection

with any such underwritten offering, and obtaining customary comfort letters and legal opinions) subject to such underwritten offering.

(g) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement, the Company will make available for inspection by any Selling Holder of Registrable Securities subject to such underwritten offering, any Underwriter participating in any disposition of such Registrable Securities and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter, all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any inspectors in connection with such registration statement, subject to entry by each such Person of a customary confidentiality agreement in a form reasonably acceptable to the Company.

(h) The Company will use its reasonable efforts to cause all Registrable Securities covered by such Resale Shelf Registration Statement or Primary Shares covered by such Issuer Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(i) In addition to the Notice and Questionnaire, the Company may require each Selling Holder of Registrable Securities to promptly furnish in writing to the Company such information regarding such Selling Holder, the Registrable Securities held by it and the intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration. No Holder may include Registrable Securities in any registration statement pursuant to this Agreement unless and until such Holder has furnished to the Company such information. Each Holder further agrees to furnish as soon as reasonably practicable to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

(j) Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(b) or 2.6(d) or upon receipt of a Suspension Notice, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of written notice from the Company that such disposition may be made and, in the case of clause (ii) of Section 2.6(d) or, if applicable, Section 2.14, copies of any supplemented or amended prospectus contemplated by clause (ii) of Section 2.6(d) or, if applicable, prepared under Section 2.14, and, if so directed by the Company, such Selling Holder will deliver to the Company all copies, other than permanent file copies then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Each Selling Holder of Registrable Securities agrees that it will immediately notify the Company at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act of the happening of an event as a result of which information previously furnished by such Selling Holder to the Company in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact

required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.

Section 2.7. Registration Expenses. In connection with any registration statement required to be filed hereunder, the Company shall pay the following registration expenses incurred in connection with the registration hereunder (the "Registration Expenses"), regardless whether such registration statement is declared effective by the Commission: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, including in connection with the preparation of comfort letters, and any transfer agent and registrar fees, and (vii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or any transfer taxes relating to the registration or sale of the Registrable Securities.

Section 2.8. Indemnification by the Company. The Company agrees to indemnify and hold harmless each Selling Holder of Registrable Securities, its officers, directors, agents, partners, members, employees, managers, advisors, sub-advisors, attorneys, representatives and Affiliates, and each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against, as incurred, any and all losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, prospectus, or free writing prospectus relating to the Registrable Securities (in each case, as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or that arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission included in reliance upon and in conformity with information furnished in writing to the Company by such Selling Holder or on such Selling Holder's behalf expressly for inclusion therein.

Section 2.9. Indemnification by Holders of Registrable Securities. Each Selling Holder agrees, severally but not jointly or jointly and severally, to indemnify and hold harmless the Company, its officers, directors, agents, employees, attorneys, representatives and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Selling Holder, but only with respect to information relating to such Selling Holder included in reliance upon and in conformity with information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration

statement, preliminary prospectus, prospectus or free writing prospectus relating to the Registrable Securities, or any amendment or supplement thereto. In case any action or proceeding shall be brought against the Company or its officers, directors or agents or any such controlling person, in respect of which indemnity may be sought against such Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its officers, directors or agents or such controlling person shall have the rights and duties given to such Selling Holder, by Section 2.10; provided, however, that the total obligations of such Selling Holder under this Agreement (including, but not limited to, obligations arising under Section 2.11 herein) will be limited to an amount equal to the net proceeds actually received by such Selling Holder (after deducting any discounts and commissions) from the disposition of Registrable Securities pursuant to such registration statement.

Section 2.10. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 2.8 or 2.9, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (an "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided, however, that the failure of any Indemnified Party to give such notice will not relieve such Indemnifying Party of any obligations under Section 2.8 or 2.9, except to the extent such Indemnifying Party is materially prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) representation of the Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and the Indemnified Party. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by (i) in the case of Persons indemnified pursuant to Section 2.8 hereof, the Selling Holders which owned a majority of the Registrable Securities sold under the applicable registration statement and (ii) in the case of Persons indemnified pursuant to Section 2.9, the Company. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding without any admission of liability by such Indemnified Party.

Section 2.11. Contribution. If the indemnification provided for in Section 2.8 or 2.9 hereof is held by a court of competent jurisdiction to be unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities that otherwise would have been covered by Section 2.8 or 2.9 hereof, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of each Selling Holder, on the other hand, in connection with such statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party.

The Company and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 2.11 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.11, no Selling Holder shall be required to contribute any amount which in the aggregate exceeds the amount by which the net proceeds actually received by such Selling Holder from the sale of its securities to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Holder's obligations to contribute pursuant to this Section 2.11, if any, are several in proportion to the proceeds of the offering actually received by such Selling Holder bears to the total proceeds of the offering received by all the Selling Holders and not joint.

Section 2.12. Rule 144. The Company covenants that it will (a) make and keep public information regarding the Company available as those terms are defined in Rule 144, (b) file in a timely manner any reports and documents required to be filed by it under the Securities Act and the Exchange Act, (c) furnish to any Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time more than ninety (90) days after the effective date of the registration statement for the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), and (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 2.13. Participation in Underwritten Offerings. No Person may participate in any underwritten offerings hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights provided for in this Article II.

Section 2.14. Suspension of Use of Registration Statement.

(a) If the Board of Directors of the Company determines in its good faith judgment that the filing of a Rady Demand Registration Statement or Resale Shelf Registration Statement under Section 2.1(a) or Section 2.4(a) or the use of any related prospectus would be materially detrimental to the Company because such action would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential or the disclosure of which would materially impede the Company's ability to consummate a significant transaction, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, upon written notice of such determination by the Company to the Holders which shall be signed by the Chief Executive Officer, President or any Executive Vice President of the Company certifying thereto, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Resale Shelf Registration or to require the Company to take action with respect to the registration or sale of any Registrable Securities pursuant to a Resale Shelf Registration Statement shall be suspended until the earliest of (i) the date upon which the Company notifies the Holders in writing that suspension of such rights for the grounds set forth in this Section 2.14(a) is no longer necessary and they may resume use of the applicable prospectus, (ii) the date upon which copies of the applicable supplemented or amended prospectus is distributed to the Holders, and (iii) (x) up to thirty (30) consecutive days after the notice to the Holders if that notice is given during the Initial Period or (y) ninety (90) consecutive days after the notice to the Holders if that notice is given after the Initial Period; provided, that the Company shall not be entitled to exercise any such right more than two (2) times in any twelve (12) month period or less than thirty (30) days from the termination of the prior such suspension period; and provided further, that such exercise shall not prevent the Holders from being entitled to at least three hundred twenty (320) days of effective registration with respect to such registration statement during each Initial Period and thereafter two hundred ten (210) days of effective registration with respect to such registration statement in any 365-day period. The Company agrees to give the notice under (i) above as promptly as practicable following the date that such suspension of rights is no longer necessary.

(b) If all reports required to be filed by the Company pursuant to the Exchange Act have not been filed by the required date without regard to any extension, or if the consummation of any business combination by the Company has occurred or is probable for purposes of Rule 3-05 or Article 11 of Regulation S-X promulgated under the Securities Act or any similar successor rule, upon written notice thereof by the Company to the Holders, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement or to require the Company to take action with respect to the registration or sale of any Registrable Securities

pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement shall be suspended until the date on which the Company has filed such reports or obtained and filed the financial information required by Rule 3-05 or Article 11 of Regulation S-X to be included or incorporated by reference, as applicable, in a Rady Demand Registration Statement or Resale Shelf Registration Statement, and the Company shall use commercially reasonable efforts to file the required reports or obtain and file the financial information required to be included or incorporated by reference, as applicable, as promptly as commercially practicable, and shall notify the Holders as promptly as practicable when such suspension is no longer required.

Section 2.15. Additional Shares. The Company, at its option, may register under a Shelf Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued shares of Common Stock or any shares of Common Stock owned by any other stockholder or stockholders of the Company; provided that in no event shall the inclusion of such shares on a registration statement reduce the amount offered for the account of the Holders in any underwritten offering at the request of the Holders pursuant to Section 2.1(a) or Section 2.4(c).

ARTICLE III
MISCELLANEOUS

Section 3.1. Remedies. In addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, the Holders shall be entitled to specific performance of the rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

Section 3.2. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, in each case without the written consent of the Company and the Holders against whom enforcement is sought. No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.3. Notices. All notices and other communications in connection with this Agreement shall be made in writing by hand delivery, registered first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to any Holder, initially to the address indicated in such Holder's Notice and Questionnaire or, if no Notice and Questionnaire has been delivered, c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address and to such other Persons as any Holder may hereafter specify in writing; and

(2) if to the Company, initially at 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address as the Company may hereafter specify in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when received if deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 3.4. Successors and Assigns; Assignment of Registration Rights. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties. Any Holder may assign its rights under this Agreement without the consent of the Company in connection with a transfer of such Holder's Registrable Securities; provided, that the Holder notifies the Company of such proposed transfer and assignment and the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement.

Section 3.5. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 3.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 3.8. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.10. Termination. The obligations of the parties hereunder shall terminate with respect to a Holder when it no longer holds Registrable Securities and with respect to the Company upon the end of the Effectiveness Period with respect to any Issuer Shelf Registration Statement and with respect to a Resale Shelf Registration Statement when there are no longer Registrable Securities with respect to such Resale Shelf Registration Statement, except, in each case, for any obligations under Sections 2.4(d), 2.7, 2.8, 2.9, 2.10, 2.11 and Article III.

Section 3.11. Waiver of Jury Trial. The parties hereto (including any Initial Holder and any subsequent Holder) irrevocably waive any right to trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

HOLDERS LISTED ON SCHEDULE I HERETO

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:
As Attorney-in-Fact acting on behalf of each of the Holders named on Schedule I hereto

Schedule I

See Attached.

Exhibit A

Form of Notice and Questionnaire

The undersigned beneficial holder of shares of common stock, par value $.01 per share ("Common Stock"), of American Assets Trust, Inc. (the "Company") and/or units of limited partnership interests ("OP Units" and, together with the Common Stock, the "Registrable Securities") of American Assets Trust, L.P. (the "Operating Partnership"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "SEC") one or more registration statements (collectively, the "Resale Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement"), dated [_____], 2010, among the Company and the holders listed on Schedule I thereto. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Resale Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling security holder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). **To be included in the Resale Shelf Registration Statement, this Notice and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein on or prior to the tenth business day before the effectiveness of the Resale Shelf Registration Statement.** We will give notice of the filing and effectiveness of the initial Resale Shelf Registration Statement by issuing a press release and by mailing a notice to the holders at their addresses set forth in the register of the registrar.

Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling security holders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Resale Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the initial Resale Shelf Registration Statement so that such beneficial owners may be named as selling security holders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the initial Resale Shelf Registration Statement, in accordance with the Registration Rights Agreement, the Company will file such amendments to the initial Resale Shelf Registration Statement or additional shelf registration statements or supplements to the related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities.

Certain legal consequences arise from being named as selling security holders in the Resale Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling security holder in the Resale Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Security Holder") of Registrable Securities hereby elects to include in the prospectus forming a part of the Resale Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Resale Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Company and represents and warrants to the Company that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Security Holder:

_____

(b) Full Legal Name of registered holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

_____

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

_____

(d) List below the individual or individuals who exercise voting and/or dispositive powers with respect to the Registrable Securities listed in Item (3) below:

_____

2. Address for Notices to Selling Security Holder:

Telephone: _____

Fax: _____

E-mail address: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

Type of Registrable Securities beneficially owned, and number of shares of Common Stock and/or Common OP Units, as the case may be, beneficially owned:

4. Beneficial Ownership of Securities of the Company Owned by the Selling Security Holder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Registrable Securities listed above in Item (3).

Type and amount of other securities beneficially owned by the Selling Security Holder:

5. Relationship with the Company

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Resale Shelf Registration Statement only as follows and will not be offering any of such Registrable Securities pursuant to an agreement, arrangement or understanding entered into with a

broker or dealer prior to the effective date of the Resale Shelf Registration Statement. Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters or broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Security Holder will be responsible for underwriting discounts or commissions or agent's commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions)

(i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale; .

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

Note: In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of the Company.

ACKNOWLEDGEMENTS

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Security Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Security Holders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Resale Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Resale Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item 3 above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing this Notice and Questionnaire, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Resale Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Resale Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the Selling Security Holder and received by the Company, the terms of this Notice and Questionnaire and the representations and warranties contained herein shall be binding on, shall insure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Security Holder with respect to the Registrable Securities beneficially owned by such Selling Security Holder and listed in Item 3 above.

This Notice and Questionnaire shall be governed by, and construed in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By _____
Name:
Title:

Dated:

Please return the completed and executed Notice and Questionnaire to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Tel: (858) 350-2600
Fax: (858) 350-2620
Attention: Chief Financial Officer

Exhibit E

Lock-Up Agreement

_____ ___, 2010

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
375 Park Avenue
New York, New York 10152

as Representatives of the several
Underwriters to be named in the
within-mentioned Underwriting Agreement

Re: Proposed Public Offering by American Assets Trust, Inc.

Dear Sirs:

The undersigned, a stockholder of American Assets Trust, Inc., a Maryland corporation (the "Company") and/or a holder of common units of partnership interest (the "Units") in American Assets Trust, LP, a Maryland limited partnership and operating subsidiary of the Company (the "Operating Partnership"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Wells Fargo Securities, LLC ("Wells Fargo") and each of the other Underwriters named in Schedule A to the Underwriting Agreement (as defined below) (collectively, the "Underwriters"), for whom Merrill Lynch and Wells Fargo are acting as representatives (in such capacity, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company and the Operating Partnership, providing for the public offering (the "Public Offering") of shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). In recognition of the benefit that the Public Offering will confer upon the undersigned as a stockholder of the Company and/or as a holder of Units in the Operating Partnership, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each Underwriter to be named in the Underwriting Agreement that, during a period of 180 days from the date of the Underwriting Agreement (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives:

(i) if the undersigned is a director or executive officer of the Company, pursuant to the establishment by the undersigned of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the Lock-Up Period; or

(ii) as a *bona fide* gift or gifts or other dispositions by will or intestacy; or

(iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iv) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the undersigned or the immediate family member of the undersigned; or

(v) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; or

(vi) as a distribution to limited partners, limited liability company members or stockholders of the undersigned; or

(vii) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned; or

(viii) to the Company upon termination of the undersigned's employment with the Company; or

(ix) to pay the exercise price of options to purchase Common Stock pursuant to the cashless exercise feature of such options; or

(x) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (ix) above,

provided that, in each case, (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers or other actions are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market after completion of the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales.

Notwithstanding the foregoing, if:

(1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day Lock-Up Period,

the Representatives may extend, by written notice to the Company, the restrictions imposed by this lock-up agreement until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the period from the date of this lock-up agreement to and including the 34th day following the expiration of the initial 180-day Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the 180-day Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

[Signature Page Follows]

Very truly yours,

Signature: _____

Print Name: _____

(Signature Page to Investor Lock-Up Agreement)

Exhibit F

Order of Mergers

Each step within each "Transaction Step" below must be completed before the transactions in the following "Transaction Step" may be completed. All transactions within each "Transaction Step" may be completed simultaneously or in any order.

Transaction Step 1

All Forward REIT Mergers
All REIT Sub Forward Mergers

Transaction Step 2

All Contributions to the OP (including the REIT's contribution to the OP of the assets acquired in Step 1)

Transaction Step 3

All Contributions to subsidiaries of the OP (including, where applicable, the OP's contribution to the applicable subsidiary of assets acquired in Step 2)

Transaction Step 4

All OP Forward Mergers ***except*** the OP Forward Merger set forth in Transaction Step 5 and Transaction Step 7 below

Transaction Step 5

Forward Merger of Desert Hillside Holdings LLC with and into the Operating Partnership

Transaction Step 6

All OP Sub Forward Mergers ***except*** the OP Sub Forward Merger set forth in Transaction Step 7 below

Transaction Step 7

Forward Merger of BWH Holdings LLC with and into the Operating Partnership

Forward Merger of Desert Oceanside Holdings LLC with and into Pacific Oceanside Holdings LLC.

Transaction Step 8

All OP Sub Reverse Mergers

Exhibit 10.13

AGREEMENT AND PLAN OF MERGER

DATED AS OF SEPTEMBER 13, 2010

BY AND AMONG

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

[REIT SUB FORWARD MERGER ENTITY MERGER SUB]
a Delaware limited liability company

AND

[REIT SUB FORWARD MERGER ENTITY]
a [_____]

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DEFINED TERMS

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of September 13, 2010, by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), **[REIT Sub Forward Merger Entity]**, a **[_____]** (the "SPE"), and **[REIT Sub Forward Merger Entity Merger Sub]**, a Delaware limited liability company to be formed prior to the Effective Time (defined below) and to be wholly-owned by the REIT ("Merger Sub").

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities each as described on Schedule I hereto;

WHEREAS, concurrently with the execution of this Agreement, each of the entities identified on Schedule I hereto as "Forward REIT Merger Entities" (the "Forward REIT Merger Entities") will enter into an agreement and plan of merger with the REIT pursuant to which each such Forward REIT Merger Entity will merge with and into the REIT and the equity interest in each Forward REIT Merger Entity will be converted automatically into the right to receive cash, without interest, or shares of common stock of the REIT, par value $.01 per share (the "REIT Shares");

WHEREAS, pursuant to this Agreement, the SPE, immediately following the mergers identified in the preceding paragraph, will merge with and into the Merger Sub, with the Merger Sub as the surviving entity (the "Merger"), pursuant to which each membership interest in the SPE (the "SPE Equity Interest") will be converted automatically as set forth herein into the right to receive cash, without interest or REIT Shares;

WHEREAS, concurrently with the execution of this Agreement, the REIT will enter into agreements and plans of merger with certain other American Assets Entities identified as "REIT Sub Forward Merger Entities" on Schedule I hereto (collectively with the SPE, the "REIT Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each of the other REIT Sub Forward Merger Entities will merge with and into wholly owned subsidiaries of the REIT;

WHEREAS, immediately following the completion of the mergers described in the preceding paragraphs, the REIT will contribute to American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), (i) all of the assets, rights and obligations of the Forward REIT Merger Entities acquired by the REIT as a result of the mergers between it and the Forward REIT Merger Entities and (ii) all of the REIT's interests in the surviving entities of the mergers of the REIT Sub Forward Merger Entities with and into wholly owned subsidiaries of the REIT;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, will enter into a contribution agreement with certain holders (the "Contributors") of interests in certain American Assets Entities identified as "Contributed Entities" on Schedule I hereto, pursuant to which,

immediately following the completion of the mergers and contributions described in the preceding paragraphs, each Contributor shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, respectively, all of the Contributor's interests in the applicable American Assets Entity (the "Contributed Interest"), and the Operating Partnership, or such subsidiary, as applicable, shall acquire from each Contributor all of each Contributor's right, title and interest as a holder of the Contributed Interests;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into an agreement and plan of merger with certain American Assets Entities identified as "Forward OP Merger Entities" on Schedule I hereto (collectively, the "Forward OP Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each Forward OP Merger Entity will merge with and into the Operating Partnership in the order set forth in the merger agreement for such entities;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Forward Merger Entities" on Schedule I hereto (collectively, the "OP Sub Forward Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each OP Sub Forward Merger Entity will merge with and into a separate wholly-owned subsidiary of the Operating Partnership;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Reverse Merger Entities" on Schedule I hereto (collectively, the "OP Sub Reverse Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, a separate wholly-owned subsidiary of the Operating Partnership will merge with and into each OP Sub Reverse Merger Entity;

WHEREAS, in lieu of one or more of the mergers described in the preceding paragraphs and at the same time as such mergers would have otherwise occurred, certain holders (the "Consenting Holders") of interests in certain American Assets Entities shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, all of their interests in the applicable American Assets Entity, and the Operating Partnership, or such subsidiary, shall acquire from each Consenting Holder, all of each Consenting Holder's right, title and interest as a holder of interests in such American Assets Entities;

WHEREAS, the Formation Transactions relate to the proposed initial public offering (the "IPO") of the REIT Shares, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code;

WHEREAS, in accordance with applicable Law, the SPE may be merged with another entity, subject to the requisite approval of the equity holders as required by applicable Law;

WHEREAS, the board of directors of the REIT has approved and authorized the Merger and the other Formation Transactions in accordance with the Maryland General Corporation Law (the "MGCL") and its charter and bylaws;

WHEREAS, the board of directors of the SPE has determined that it is advisable and in the best interests of the SPE and its equity holders to proceed with the Merger and the other Formation Transactions on the terms described in this Agreement; and

WHEREAS, the SPE has obtained the requisite approval of its equity holders (and lenders, as applicable) to the Merger and the other Formation Transactions, applicable to the SPE.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I
THE MERGER

Section 1.01 THE MERGER. At the Effective Time (as defined below), and subject to and upon the terms and conditions of this Agreement and in accordance with applicable Laws, the SPE shall be merged with and into the Merger Sub in the order specified in Exhibit D, whereby the separate existence of the SPE shall cease, and the Merger Sub shall continue its existence under Delaware law as the surviving entity (hereinafter sometimes referred to as the "Surviving Entity").

Section 1.02 EFFECTIVE TIME. Subject to and upon the terms and conditions of this Agreement, concurrently with or as soon as practicable after (i) the execution by the REIT and the Operating Partnership of the Underwriting Agreement and (ii) the satisfaction or waiver of the conditions set forth in Article VII, the Merger Sub and the SPE shall file a certificate of merger or similar document with respect to the Merger (the "Certificate of Merger") as may be required by applicable Law with the Secretary of State of each applicable jurisdiction, providing that the Merger shall become effective upon filing or at such later date and time set forth in the Certificate of Merger that is not more than thirty (30) days after the acceptance of such Certificate of Merger by the Secretary of State of the applicable jurisdiction for record (the "Effective Time"), together with any certificates and other filings or recordings related thereto, in such forms as are required by, and executed in accordance with, the relevant provisions of applicable laws.

Section 1.03 EFFECT OF THE MERGER. At the Effective Time, which shall be in the order specified in Exhibit D, the effect of the Merger shall be as provided in this Agreement, the Certificate of Merger and applicable Laws.

Section 1.04 ORGANIZATIONAL DOCUMENTS. At the Effective Time, the Organizational Documents of the Merger Sub, as in effect immediately prior to the Effective Time, shall be the Organizational Documents of the Surviving Entity until thereafter amended as provided therein or in accordance with applicable Law.

Section 1.05 CONVERSION OF SPE EQUITY INTERESTS.

(a) Under and subject to the terms and conditions of the respective Formation Transaction Documentation each Pre-Formation Participant is irrevocably bound to accept and

entitled to receive, as a result of and upon consummation of the Merger or other Formation Transactions, a specified share of the sponsors' value of the American Assets Entities as a whole in the form of the right to receive cash or REIT Shares as calculated in Section 1.05.

At the Effective Time, by virtue of the Merger and without any action on the part of the parties hereto or the holders of any interest in the SPE, except as set forth in Section 1.05(b), each SPE Equity Interest shall be converted automatically into the right to receive cash or REIT Shares (or OP Units, as provided in clause (ii) of the following sentence) with an aggregate value equal to the Allocated Share of Equity Value represented by such SPE Equity Interest (collectively referred to as the "Merger Consideration") and each holder that receives OP Units in the Merger shall, upon receipt of such OP Units and the delivery of a Consent Form or a counterpart signature page to the Operating Partnership Agreement and such other documents and instruments as may be required in the sole discretion of the REIT to effect such holder's admission as a limited partner of the Operating Partnership, be admitted as a limited partner of the Operating Partnership in accordance with the Maryland Revised Uniform Limited Partnership Act and the Operating Partnership Agreement.

Subject to Section 1.07 and Section 2.02(c), the amount of cash or REIT Shares comprising the Merger Consideration for each SPE Equity Interest so converted shall be as follows:

(i) Cash: One hundred percent (100%) of the Allocated Share for each SPE Equity Interest held by a Pre-Formation Participant who is not an Accredited Investor shall be paid in cash.

(ii) REIT Shares. The Allocated Share for each SPE Equity Interest or portion thereof held by a Pre-Formation Participant who is an Accredited Investor shall be distributed in the form of a number of REIT Shares equal to the applicable portion of such Allocated Share divided by the IPO Price; *provided* that, subject to Section 7.02(d), to the extent such distribution of REIT Shares to the holder of the SPE Equity Interests would result in such a violation of the restrictions on ownership and transfer set forth in Section 6.3 of the REIT's charter (the "Ownership Limits"), such holder shall receive (x) the maximum number of whole REIT Shares that would not result in a violation of the Ownership Limits, and (y) that number of common units of partnership interests in the Operating Partnership (the "OP Units") equal to the remaining number of REIT Shares not distributed as a result of the application of the foregoing clause (x).

(b) Each SPE Equity Interest issued and outstanding immediately prior to the Effective Time that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries (having been previously acquired by the REIT, the Operating Partnership or any such Subsidiary thereof pursuant to the other Formation Transactions) shall remain issued and outstanding, and no consideration shall be delivered hereunder in exchange therefor.

Section 1.06 CANCELLATION AND RETIREMENT OF SPE EQUITY INTERESTS. From and after the Effective Time, (i) each SPE Equity Interest converted into the right to receive the Merger Consideration pursuant to Section 1.05(b) shall no longer be outstanding and

shall automatically be cancelled and retired and shall cease to exist, and each holder of such SPE Equity Interest so converted shall thereafter cease to have any rights as an equity holder of the SPE, except the right to receive the Merger Consideration applicable thereto, and (ii) each SPE Equity Interest issued and outstanding that is owned by the REIT, the Operating Partnership or any of their direct or indirect wholly-owned Subsidiaries shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist and no consideration shall be delivered hereunder in exchange therefor.

Section 1.07 FRACTIONAL INTERESTS. No fractional REIT Shares or OP Units shall be issued in the Merger. All fractional REIT Shares that a holder of SPE Equity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole REIT Shares resulting from such aggregation and, in lieu of any fractional REIT Share resulting from such aggregation, an amount in cash determined by multiplying that fraction of a REIT Share to which such holder would otherwise have been entitled, by the IPO Price. All fractional OP Units that a holder SPE Equity Interests would otherwise be entitled to receive as a result of the Mergers and the other Formation Transactions shall be aggregated, and each holder shall receive the number of whole OP Units resulting from such aggregation and, in lieu of any fractional OP Unit resulting from such aggregation, an amount in cash determined by multiplying that fraction of an OP Unit to which such holder would otherwise have been entitled, by the IPO Price. No interest will be paid or will accrue on any cash paid or payable in lieu of any fractional REIT Share.

Section 1.08 CALCULATION OF MERGER CONSIDERATION.

(a) As soon as practicable following the determination of the IPO Price and prior to the Effective Time, all calculations relating to the Merger Consideration shall be performed in good faith by, or under the direction of, the REIT, and, absent manifest error, shall be final and binding upon the holders of SPE Equity Interests.

Section 1.09 TRANSACTION COSTS. If the Closing occurs, the REIT and the Operating Partnership shall be solely responsible for all transaction costs and expenses of the REIT, the Operating Partnership and the American Assets Entities in connection with the Formation Transactions and the IPO, which include, but are not limited to, the underwriting discounts and commissions. In the event the Closing does not occur, such costs and expenses shall be paid in accordance with the terms of that certain letter agreement entered into by the Property Entities (as defined therein) and American Assets, Inc., a California corporation, dated as of May 17, 2010.

ARTICLE II
CLOSING; TERM OF AGREEMENT

Section 2.01 CLOSING. Unless this Agreement shall have been terminated pursuant to Section 2.05, and subject to the satisfaction or waiver of the conditions in Article VII, the filing of the Certificate of Merger, the Effective Time and the closing of the other transactions contemplated by this Agreement shall occur substantially concurrently with the receipt by the REIT of the proceeds from the IPO from the underwriters (the "Closing" or the "Closing Date")

in the order set forth on Exhibit D. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400 San Diego, California 92130 or such other place as determined by the REIT in its sole discretion. The Closing hereunder and the closing of the IPO shall be deemed concurrent for all purposes.

Section 2.02 PAYMENT OF MERGER CONSIDERATION.

(a) As soon as reasonably practicable after the Effective Time, the Surviving Entity (or its successor in interest) shall deliver to each holder of SPE Equity Interests, whose SPE Equity Interests have been converted into the right to receive the Merger Consideration pursuant to Section 1.05(a) hereof, the Merger Consideration payable to such holder in the amounts and form provided in Section 1.05(a) hereof. The issuance of any OP Units and admission of the recipients thereof as limited partners of the Operating Partnership pursuant to Section 1.05(a) shall be evidenced by an amendment to Exhibit A to the Operating Partnership Agreement, and the Operating Partnership shall deliver, or cause to be delivered, an executed copy of such amendment to each Pre-Formation Participant receiving OP Units hereunder. Any certificate representing REIT Shares issuable as Merger Consideration shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS THE TRANSFEROR DELIVERS TO THE CORPORATION AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND EXCEPT AS EXPRESSLY PROVIDED IN THE CORPORATION'S CHARTER, (I) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S COMMON STOCK IN EXCESS OF [__]% (IN VALUE OR NUMBER OF SHARES) OF THE OUTSTANDING SHARES OF COMMON STOCK OF THE CORPORATION UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (II) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK OF THE CORPORATION IN EXCESS OF [__]% OF THE VALUE OF THE TOTAL OUTSTANDING SHARES OF CAPITAL STOCK OF THE CORPORATION, UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN

WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (III) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN CAPITAL STOCK THAT WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (IV) NO PERSON MAY TRANSFER SHARES OF CAPITAL STOCK IF SUCH TRANSFER WOULD RESULT IN THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK IN EXCESS OR IN VIOLATION OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP SET FORTH IN (I) THROUGH (III) ABOVE ARE VIOLATED, THE SHARES OF CAPITAL STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY TAKE OTHER ACTIONS, INCLUDING REDEEMING SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID *AB INITIO*. ALL UNDERLINED TERMS IN THIS LEGEND HAVE THE MEANINGS DEFINED IN THE CHARTER OF THE CORPORATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF CAPITAL STOCK OF THE CORPORATION ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

(b) The Surviving Entity (or its successor in interest) shall not be liable to any holder of an SPE Equity Interests for any portion of the Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(c) It is intended that the Merger contemplated by this Agreement shall be treated as a "reorganization" within the meaning of Section 368(a) of the Code, and the regulations promulgated thereunder, and that this Agreement will be, and is, adopted as a plan of reorganization.

Section 2.03 TAX WITHHOLDING. The REIT, Merger Sub and the SPE, as applicable, shall be entitled to deduct and withhold from the consideration payable pursuant to

this Agreement to any holder of SPE Equity Interests such amounts required to be deducted and withheld with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the SPE Equity Interests in respect of which such deduction and withholding was made.

Section 2.04 FURTHER ACTION. If, at any time after the Effective Time, the Surviving Entity shall determine or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Entity the right, title or interest in, to or under any of the rights, properties or assets of the SPE acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the Surviving Entity shall be authorized to execute and deliver, in the name and on behalf of the SPE or otherwise, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of the SPE or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Entity or otherwise to carry out this Agreement.

Section 2.05 TERM OF THE AGREEMENT. This Agreement shall terminate automatically if (i) the initial registration statement of the REIT for the IPO (the "Registration Statement") has not been filed with the Securities and Exchange Commission ("SEC") by March 31, 2011, or (ii) the Merger shall not have been consummated on or prior to December 31, 2011 (such date is hereinafter referred to as the "Outside Date").

Section 2.06 EFFECT OF TERMINATION. In the event of termination of this Agreement for any reason, all obligations on the part of the REIT, the Merger Sub and the SPE under this Agreement shall terminate, except that the obligations set forth in Article VIII shall survive; it being understood and agreed, however, for the avoidance of doubt, that if this Agreement is terminated because one or more of the conditions to a non-breaching party's obligations under this Agreement are not satisfied by the Outside Date as a result of the other party's material breach of a covenant, representation, warranty or other obligation under this Agreement or any other Formation Transaction Documentation, the non-breaching party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE REIT AND MERGER SUB

Each of the REIT and Merger Sub hereby represents and warrants to the SPE as follows:

Section 3.01 ORGANIZATION; AUTHORITY.

(a) Each of the REIT and Merger Sub has been duly incorporated or formed and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation, as applicable, and, upon the effectiveness of the REIT Charter, will have all requisite

power and authority to enter into this Agreement and the other Formation Transaction Documentation and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate its property and to carry on its business as presently conducted and each of the Operating Partnership and Merger Sub, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

(b) Schedule 3.01(b) sets forth as of the date hereof, (i) each Subsidiary of the REIT (each a "REIT Subsidiary"), (ii) the ownership interest therein of the REIT, and (iii) if not wholly owned by the REIT, the identity and ownership interest of each of the other owners of such REIT Subsidiary. Each REIT Subsidiary has been duly organized or formed and is validly existing and is in good standing under the Laws of its jurisdiction of organization or formation, as applicable, has all requisite power and authority to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

Section 3.02 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Formation Transaction Documentation (including each agreement, document and instrument executed and delivered by or on behalf of the REIT and Merger Sub pursuant to this Agreement or the other Formation Transaction Documentation) by the REIT and Merger Sub, prior to Closing, will have been duly and validly authorized by all necessary actions required of each of the REIT and Merger Sub, respectively. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of each of the REIT and Merger Sub pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of each of the REIT and Merger Sub, each enforceable against each of the REIT and Merger Sub, in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 3.03 CONSENTS AND APPROVALS. Except for the filing of the Certificate of Merger in accordance with Section 1.02 hereof or in connection with the IPO and the consummation of the other Formation Transactions, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by the REIT or Merger Sub in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby and thereby, except for (i) those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect, or (ii) those consents of the Pre-Formation Participants under the Organizational Documents of the applicable American Assets Entity, the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

Section 3.04 NO VIOLATION. None of the execution, delivery or performance of this Agreement, the other Formation Transaction Documentation, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of any of the REIT or Merger Sub, (B) any agreement, document or instrument to which the REIT or Merger Sub or any of their respective assets are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on any of the REIT or Merger Sub, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect.

Section 3.05 VALIDITY OF REIT SHARES. Any REIT Shares to be issued pursuant to this Agreement will have been duly authorized by the REIT and, when issued against the consideration therefor, will be validly issued, fully paid and non-assessable, free and clear of all Liens created by the REIT (other than any Liens created by the REIT Charter).

Section 3.06 REIT CHARTER. Attached as Exhibit B hereto is a true and correct copy of the charter of the REIT (the "REIT Charter") in substantially final form.

Section 3.07 LIMITED ACTIVITIES. Except for activities in connection with the IPO, the Formation Transactions or in the ordinary course of business, neither the REIT, the REIT Subsidiaries nor the Merger Sub has engaged in any material business or incurred any material obligations.

Section 3.08 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, there is no action, suit or proceeding pending or, to the knowledge of the REIT or Merger Sub, threatened against the REIT or any REIT Subsidiary, other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation of the REIT, that individually or in the aggregate, would not reasonably be expected, (a) if adversely determined, to have a REIT Material Adverse Effect, or (b) to challenge or impair the ability of the REIT or Merger Sub to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby to such extent as would result in a REIT Material Adverse Effect.

Section 3.09 NO BROKER. Neither the REIT nor the Merger Sub has entered into, each of the REIT and the Merger Sub covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the SPE or any Affiliates thereof to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 3.10 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article III, the REIT and Merger Sub shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby. All representations, warranties and covenants of the REIT and Merger Sub contained in this Agreement shall expire at the Closing.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SPE

Except as disclosed in the Prospectus or the schedules attached hereto, the SPE represents and warrants to the REIT that the following statements are true and correct as of the Closing Date:

Section 4.01 ORGANIZATION; AUTHORITY.

(a) The SPE has been duly organized and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or formation, and has all requisite power and authority to enter into this Agreement, each agreement contemplated hereby and the other Formation Transaction Documentation to which it is a party (including any agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation) and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate any Property owned, leased and/or operated by it and to carry on its business as presently conducted. The SPE, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of a Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

(b) Schedule 4.01(b) sets forth as of the date hereof with respect to the SPE (i) each Subsidiary of the SPE (each an "SPE Subsidiary"), (ii) the ownership interest therein of the SPE, (iii) if not wholly owned by the SPE, the identity and ownership interest of each of the other owners of such Subsidiary, and (iv) each property owned by the SPE or such Subsidiary or leased pursuant to a ground lease by the SPE or such Subsidiary (each a "Property"). Each SPE Subsidiary has been duly organized and is validly existing and is in good standing under the Laws of its jurisdiction of organization, and has all requisite power and authority to own, lease and/or operate its Property and to carry on its business as presently conducted. Each SPE Subsidiary, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its Property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.02 DUE AUTHORIZATION. The execution, delivery and performance by the SPE of this Agreement and the other Formation Transaction Documentation (including any agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation) to which it is a party have been duly and validly authorized by all necessary actions required of the SPE. This Agreement,

the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of the SPE pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of the SPE, each enforceable against the SPE in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.03 CAPITALIZATION. Schedule 4.03 sets forth as of the date hereof the ownership of the SPE. All of the issued and outstanding equity interests of the SPE and each SPE Subsidiary are duly authorized, validly issued and fully paid; and, to the knowledge of the SPE, are not subject to preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights under the Organizational Documents of or any contract to which the SPE is a party or otherwise bound, except for such preemptive rights, transfer restrictions, or appraisal, dissenters' or other similar rights as would not prevent the Merger. There are no outstanding rights to purchase, subscriptions, warrants, options or any other security convertible into or exchangeable for equity interests in the SPE or its SPE Subsidiaries.

Section 4.04 CONSENTS AND APPROVALS. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or any Governmental Authority or under any applicable Laws is required to be obtained by the SPE or any of the SPE Subsidiaries in connection with the execution, delivery and performance of this Agreement, the other Formation Transaction Documentation to which the SPE or any of the SPE Subsidiaries is a party and the transactions contemplated hereby and thereby, except for those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.05 NO VIOLATION. None of the execution, delivery or performance of this Agreement, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the Organizational Documents of the SPE or any SPE Subsidiary (B) any agreement, document or instrument to which the SPE or any SPE Subsidiary or any of their respective assets or properties are bound by or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on the SPE or any SPE Subsidiary, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.06 LICENSES AND PERMITS. To the knowledge of the SPE, all notices, licenses, permits, certificates and authorizations required for the continued use, occupancy, management, leasing and operation of the Properties have been obtained or can be obtained without material cost, are in full force and effect, are in good standing and (to the extent required in connection with the transactions contemplated by the Formation Transaction Documentation) are assignable to the Merger Sub, except in each case for items that, if not so obtained,

obtainable and/or transferred, would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect. To the knowledge of the SPE, neither the SPE, nor any SPE Subsidiary, nor any third party has taken any action that (or failed to take any action the omission of which) would result in the revocation of any such notice, license, permit, certificate or authorization where such revocation or revocations would, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, nor has any one of them received any written notice of violation from any Governmental Authority or written notice of the intention of any entity to revoke any such notice, license, permit, certificate or authorization, that in each case has not been cured or otherwise resolved to the satisfaction of such Governmental Authority or other entity and except as would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.07 COMPLIANCE WITH LAWS. To the knowledge of the SPE, the SPE and each SPE Subsidiary have conducted their respective businesses in compliance with all applicable Laws, except for such failures that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect. To the knowledge of the SPE, neither the SPE, nor any SPE Subsidiary nor any third party has been informed in writing of any continuing violation of any such Laws or that any investigation has been commenced and is continuing or is contemplated respecting any such possible violation, except in each case for violations that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.08 PROPERTIES.

(a) Except as set forth in Schedule 4.08(a), the SPE or an SPE Subsidiary is the insured under a policy of title insurance as the owner of, and, to the knowledge of the SPE, the SPE or an SPE Subsidiary is the owner of, the fee simple estate (or, in the case of certain Properties, the leasehold estate or the tenancy-in-common estate) to the Property owned by the SPE or an SPE Subsidiary, in each case free and clear of all Liens except for Permitted Liens. Prior to the effective time of the merger contemplated hereby, neither the SPE nor any SPE Subsidiary shall take or omit to take any action to cause any Lien to attach to any Property, except for Permitted Liens and Liens, if any, given to secure mortgage indebtedness encumbering such Property.

(b) Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, to the knowledge of the SPE, (1) neither the SPE, nor any SPE Subsidiary, nor any other party to any material agreement affecting any Property (other than a Lease (as such term is hereinafter defined) for space within such Property), is in breach or default of any such agreement, (2) no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any such agreement, or would, individually or together with all such other events, reasonably be expected to cause the acceleration of any material obligation of any party thereto or the creation of a Lien upon any asset of the SPE or any SPE Subsidiary, except for Permitted Liens, and (3) all agreements affecting any Property required for the continued use, occupancy, management, leasing and operation of such Property (exclusive of space Leases) are valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

(c) To the knowledge of the SPE, as presently conducted, none of the operation of the buildings, fixtures and other improvements comprising a part of the Properties is in violation of any applicable building code, zoning ordinance or other "land use" Law, except for such violations that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

(d) Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, (1) to the knowledge of the SPE, neither the SPE, nor its SPE Subsidiary, nor any other party to any Lease, is in breach or default of any such Lease, (2) to the knowledge of the SPE, no event has occurred or has been threatened in writing, which with or without the passage of time or the giving of notice, or both, would, individually or together with all such other events, constitute a default under any Lease, or would permit termination, modification or acceleration under such Lease, and (3) to the knowledge of the SPE each of the leases (and all amendments thereto or modifications thereof) to which the SPE or any SPE Subsidiary is a party or by which the SPE or any SPE Subsidiary or any Property is bound or subject (collectively, the "Leases") is valid and binding and in full force and effect, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.09 INSURANCE. The SPE or an SPE Subsidiary has in place the public liability, casualty and other insurance coverage with respect to each Property owned, leased and/or managed by it as the SPE reasonably deems necessary and in all cases including such coverage as is required under the terms of any continuing loan or Lease. Each of the insurance policies with respect to each Property is in full force and effect in all material respects and all premiums due and payable thereunder have been fully paid when due. To the knowledge of the SPE, neither the SPE nor any SPE Subsidiary has received from any insurance company any notices of cancellation or intent to cancel any insurance.

Section 4.10 ENVIRONMENTAL MATTERS. Except for matters that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect, to the knowledge of the SPE, (A) the SPE and the SPE Subsidiaries are in compliance with all Environmental Laws, (B) neither the SPE nor any SPE Subsidiary have received any written notice from any Governmental Authority or third party alleging that the SPE, any SPE Subsidiary or any Property is not in compliance with applicable Environmental Laws, and (C) there has not been a release of a hazardous substance on any of the Properties that would require investigation or remediation under applicable Environmental Laws. The representations and warranties contained in this Section 4.10 constitute the sole and exclusive representations and warranties made by the SPE concerning environmental matters.

Section 4.11 EMINENT DOMAIN. There is no existing or, to the knowledge of the SPE, proposed or threatened condemnation, eminent domain or similar proceeding, or private purchase in lieu of such a proceeding which would affect any of the Properties, except for such proceedings that would not, individually or in the aggregate, reasonably be expected to have an SPE Material Adverse Effect.

Section 4.12 EXISTING LOANS. Schedule 4.12 lists, as of the date hereof, all secured loans presently encumbering the Properties or any direct or indirect interest in the SPE, and any unsecured loans relating thereto to be assumed by the REIT or any Subsidiary of the REIT at Closing (the "Disclosed Loans").

Section 4.13 FRANCHISE AGREEMENTS. To the knowledge of the SPE, the franchise agreement set forth on Schedule 4.13 ("Franchise Agreement") is the only hotel franchise agreement in effect for any Property. Except as set forth on Schedule 4.13, neither the SPE nor any of SPE Subsidiary, nor, to the knowledge of the SPE, any other party to the Franchise Agreement, is in breach or default of the Franchise Agreement, except for such breach or default that would not, individually or in the aggregate, reasonably be expected to have an SPE Merger Entity Material Adverse Effect.

Section 4.14 FINANCIAL STATEMENTS. The financial statements of the SPE included in the Prospectus have been prepared in all material respects in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto), subject, in the case of unaudited statements, to normal year-end audit adjustments, and fairly present in all material respects the financial condition and results of operations of the SPE as of the dates indicated therein and for the periods ended as indicated therein.

Section 4.15 TAXES. Except as set forth in Schedule 4.15, (i) the SPE and each of its SPE Subsidiaries have timely and properly filed all Tax returns and reports required to be filed by it (after giving effect to any filing extension properly granted by a Governmental Authority having authority to do so), and all such returns and reports are accurate and complete in all material respects, and has paid (or had paid on its behalf) all Taxes as required to be paid by it, (ii) no income or material non-income Tax returns filed by the SPE or its SPE Subsidiaries are the subject of a pending or ongoing audit, and (iii) except as would not have an SPE Material Adverse Effect, no deficiencies for any Taxes have been proposed, asserted or assessed against the SPE or its SPE Subsidiaries, and no requests for waivers of the time to assess any such Taxes are pending. Except as set forth in Schedule 4.15, at all times since its formation, the SPE (including any "predecessor corporation" (within the meaning of Treasury Regulations Section 1.1374-1(e)) to the SPE) has continuously qualified as an "S corporation" within the meaning of Section 1361(a)(1) of the Code and all applicable corresponding provisions of state and local law, and no Tax authority has claimed in writing that the SPE does not qualify as an S corporation.

Section 4.16 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, to the knowledge of the SPE, there is no action, suit or proceeding pending or, to the knowledge of the SPE, threatened against or affecting the SPE or any SPE Subsidiary, or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing other than actions, suits, proceedings arising in the ordinary course of business from the ownership and operation, which, if adversely determined, would not have an SPE Material Adverse Effect. There is no action, suit, or proceeding pending or, to the knowledge of the SPE, threatened against or affecting the SPE, any SPE Subsidiary or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing which challenges or impairs the ability of the SPE to execute or deliver, or materially perform its obligations under,

this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby. Except for matters covered by insurance, there is no judgment, decree, injunction, rule or order of a Governmental Authority outstanding against the SPE, any SPE Subsidiary or any officer, director, principal, managing member, general partner or Affiliate of any of the foregoing in their capacity as such, or which would reasonably be expected to have an SPE Material Adverse Effect.

Section 4.17 NO INSOLVENCY PROCEEDINGS. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to the SPE's knowledge, threatened against the SPE, nor are any such proceedings contemplated by the SPE.

Section 4.18 SECURITIES LAW MATTERS. The SPE acknowledges that: (i) the REIT intends the offer and issuance of REIT Shares to any Pre-Formation Participants to be exempt from registration under the Securities Act and applicable state securities laws by virtue of the status of such equity holders as an "accredited investor" (within the meaning of Rule 501(a) of Regulation D under the Securities Act) acquiring any REIT Shares in a transaction exempt from registration pursuant to Rule 506 of Regulation D under the Securities Act, and (ii) in issuing any REIT Shares pursuant to the terms of this Agreement, the REIT is relying on the representations made by each equity holder receiving REIT Shares as consideration in the Merger, which representations were set forth in Appendix D to the Request for Consent - Accredited Investor Representations Letter.

Section 4.19 NO BROKER. The SPE has not entered into, and it covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the REIT or any Affiliate to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 4.20 NO IMPLIED REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article IV and any other agreement entered into in connection with the Formation Transactions to which it is a party, the SPE shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby.

Section 4.21 OWNERSHIP OF CERTAIN ASSETS. Except as set forth in Section 4.21, neither the SPE nor any SPE Subsidiary owns any loan assets or other securities of any issuer except for equity interests in other American Assets Entities.

Section 4.22 SURVIVAL OF REPRESENTATIONS AND WARRANTIES OF THE SPE. The parties hereto agree and acknowledge that the representations and warranties set forth in this Article IV (other than Section 4.01, Section 4.02, Section 4.03, Section 4.18 and Section 4.23) shall not survive the Closing.

Section 4.23 NON-FOREIGN STATUS. Neither the SPE nor any of its SPE Subsidiaries is a foreign person (as defined in the Code).

ARTICLE V
COVENANTS AND OTHER AGREEMENTS

Section 5.01 PRE-CLOSING COVENANTS. During the period from the date hereof to the Closing Date (except as otherwise provided for or contemplated by this Agreement or in connection with the Formation Transactions), the SPE shall use commercially reasonable efforts to (and shall cause each of the SPE Subsidiaries to) conduct its businesses and operate and maintain the Properties in the ordinary course of business consistent with past practice, pay its debt obligations as they become due and payable, and use commercially reasonable efforts to preserve intact its current business organizations and preserve its relationships with customers, tenants, suppliers, advertisers and others having business dealings with it, in each case consistent with past practice. In addition, and without limiting the generality of the foregoing, during the period from the date hereof to the Closing Date and except in connection with the Formation Transactions, the SPE shall not (and shall not permit any of the SPE Subsidiaries to) without the prior written consent of the REIT, which consent may be withheld by the REIT in its sole discretion:

(a) (i) other than distributions to the holders of SPE Equity Interests in connection with such holders' payment of any Taxes related to their ownership of the equity of the SPE or as otherwise contemplated by this Agreement, declare, set aside or pay any dividends or distributions in respect of any of the SPE Equity Interests, except in the ordinary course of business consistent with past practice and in accordance with the SPE's applicable Organizational Documents, (ii) issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any SPE Equity Interests or make any other changes to the equity capital structure of the SPE or any SPE Subsidiary, or (iii) purchase, redeem or otherwise acquire any SPE Equity Interests or equity interests of any of the SPE Subsidiaries or any other securities thereof;

(b) issue, deliver, sell, transfer, dispose, mortgage, pledge, assign or otherwise encumber, or cause the issuance, delivery, sale, transfer, disposition, mortgage, pledge, assignment or otherwise encumbrance of, any limited liability company, partnership interests or other equity interests in the SPE or any of the SPE Subsidiaries or any other assets of the SPE or the SPE Subsidiaries;

(c) amend, modify or terminate any lease, contract or other instruments relating to the Property, except in the ordinary course of business consistent with past practice;

(d) amend its Organizational Documents;

(e) adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(f) materially alter the manner of keeping such SPE or SPE Subsidiary's books, accounts or records or the accounting practices therein reflected;

(g) make or change any Tax elections (except that, if applicable, the SPE may, without the consent of the REIT, (i) terminate its election, if applicable, to be taxed as an S corporation up to three days prior to the expected pricing of the IPO and (ii) cause any SPE

Subsidiary that is a qualified subchapter S subsidiary to convert or merge into a wholly-owned limited liability company subsidiary of the SPE that is a disregarded entity for federal Tax purposes); settle or compromise any claim, notice, audit report or assessment in respect of Taxes; change any annual Tax accounting period; adopt or change any method of Tax accounting; file any amended Tax return; enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any Tax; surrender of any right to claim a Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment;

(h) terminate or amend any existing insurance policies affecting any Property that results in a material reduction in insurance coverage for the Property;

(i) knowingly cause or permit the SPE to violate, or fail to use commercially reasonable efforts to cure any violation of, any applicable Laws; or

(j) authorize, commit or agree to take any of the foregoing actions.

Section 5.02 CONSENT AND WAIVER OF RIGHTS UNDER ORGANIZATIONAL DOCUMENTS. As of the Closing, the SPE waives and relinquishes all rights and benefits otherwise afforded to the SPE (a) under its Organizational Documents including, without limitation, any rights of appraisal, rights of first offer or first refusal, buy/sell agreements, put, option or similar parallel exit or dissenter rights in connection with the Formation Transactions and the IPO and any right to consent to or approve of the sale or contribution or other transaction undertaken by any equity holder of the SPE of their SPE Equity Interests to the REIT or any Affiliate thereof and any and all notice provisions related thereto and (b) for claims against the REIT or the Operating Partnership for breach by any of their respective present or former officers, directors, managing members, general partners or Affiliates of their fiduciary duties or similar obligations (including duties of disclosure) to any of their respective present or former shareholders, members, partners, equity interest holders or Affiliates. The SPE acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the Organizational Documents of the SPE or other agreements among one or more holders of such SPE Equity Interests or one or more of the equity holders of the SPE. With respect to the SPE and each Property in which an SPE Equity Interest of the SPE represents a direct or indirect interest, the SPE expressly gives all consents (and any consents necessary to authorize the proper parties in interest to give all consents) and waivers it is entitled to give that are necessary or desirable to facilitate the contribution or other Formation Transactions relating to the SPE or such Property. In addition, if the transactions contemplated hereby occur, this Agreement shall be deemed to be an amendment to the Organizational Documents of the SPE to the extent the terms herein conflict with the terms thereof, including without limitation, terms with respect to allocations, distributions and the like. In the event the transactions contemplated by this Agreement do not occur, nothing in this Agreement shall be deemed to be or construed as an amendment or modification of, or commitment of any kind to amend or modify, the Organizational Documents of the SPE, which shall remain in full force and effect without modification.

Section 5.03 EXCLUDED ASSETS. Prior to or, as specified on Schedule 5.03, as soon as possible following the Closing and after such amounts are reasonably determinable, the SPE shall distribute or cause to be distributed or paid out the assets identified on Schedule 5.03 (the "Excluded Assets").

ARTICLE VI
ADDITIONAL AGREEMENTS

Section 6.01 COMMERCIALLY REASONABLE EFFORTS BY THE REIT AND THE SPE. Each of the REIT and the SPE shall use commercially reasonable efforts and cooperate with each other in (i) promptly determining whether any filings are required to be made or consents, approvals, waivers, permits or authorizations are required to be obtained (under any applicable Law or regulation or from any Governmental Authority or third party) in connection with the transactions contemplated by this Agreement, and (ii) promptly making (or causing to be made) any such filings, in furnishing information required in connection therewith and in timely seeking to obtain any such consents, approvals, waivers, permits and authorizations.

Section 6.02 OBLIGATIONS OF MERGER SUB. Subject to the terms of this Agreement, the REIT shall take all reasonable action necessary to cause Merger Sub (i) to be formed prior to the Effective Time and become a party to this Agreement by executing a counterpart of this Agreement where indicated on the signature page hereof (the date of such execution, the "Joinder Date") and (ii) to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement. All representations, warranties, covenants, agreements, rights and obligations of Merger Sub herein shall become effective as to Merger Sub as of the Joinder Date.

Section 6.03 TAX MATTERS.

(a) The SPE and the SPE Subsidiaries shall timely file or cause to be timely filed when due all Tax returns required to be filed by or with respect to such Person on or prior to the Closing Date and shall pay or cause to be paid all Taxes shown due thereon. All such Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law.

(b) The REIT shall prepare or cause to be prepared and file or cause to be filed all income Tax returns of the SPE and any of the SPE Subsidiaries which are due after the Closing Date. All such income Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable Law. No later than ten (10) days prior to the due date (including extensions) for filing such income Tax returns, the REIT shall deliver such income Tax returns to American Assets, Inc. for its review and approval, which shall not be unreasonably withheld.

(c) The REIT shall prepare or cause to be prepared all other Tax returns of the SPE and any of its Subsidiaries.

(d) The REIT and the SPE will each use its reasonable best efforts to cause the Merger to qualify, and will use its reasonable best efforts not to, and not to permit or cause any of its Subsidiaries to, take any action that could reasonably be expected to prevent or impede the Merger from qualifying, as a reorganization within the meaning of Section 368 of the Code.

(e) Unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code, each of the REIT and the SPE shall report the Merger as a "reorganization" within the meaning of Section 368(a) of the Code for federal income tax purposes.

(f) Following the Merger, the REIT will comply with the record-keeping and information filing requirements of Treasury Regulation Section 1.368-3.

Section 6.04 WITHHOLDING CERTIFICATE. Prior to Closing, the SPE shall deliver to the REIT such forms and certificates, duly executed and acknowledged, in form and substance reasonably satisfactory to the REIT (including any relevant forms or certificates provided to the SPE by the holder of SPE Equity Interests), certifying that the payment of consideration in the Merger is exempt from withholding under Section 1445 of the Code and any similar withholding rules under applicable state, local or foreign Tax Laws.

Section 6.05 TAX ADVICE. The REIT makes no representations or warranties to the SPE or any holder of SPE Equity Interests regarding the Tax treatment of the Merger or the other Formation Transactions, or with respect to any other Tax consequences to the SPE or any holder of SPE Equity Interests of this Agreement, the Merger or the other Formation Transactions. The SPE acknowledges that the SPE and the holders of SPE Equity Interests are relying solely on their own Tax advisors in connection with this Agreement, the Merger and the other Formation Transactions and agreements contemplated hereby.

Section 6.06 ALTERNATE TRANSACTION. In the event that the REIT determines that a structure change is necessary, advisable or desirable, the REIT may elect, in its sole and absolute discretion, to effect the Alternate Transaction, and in such case the SPE hereby agrees and consents to such election, without the need for the REIT to seek any further consent or action from the SPE, and agrees that the parties shall undertake the Alternate Transaction and shall, and it shall cause its equity holders and Subsidiaries to, enter into such agreements as shall be necessary to consummate the Alternate Transaction.

Section 6.07 EXCLUSION OF ENTITIES. The parties hereby agree that the REIT shall have the right, in its sole discretion, to exclude the SPE from the Merger after the date hereof until the Effective Time, provided that the REIT shall provide prior written notice to the SPE regarding such exclusion.

ARTICLE VII
CONDITIONS PRECEDENT

Section 7.01 CONDITION TO EACH PARTY'S OBLIGATIONS. The respective obligation of each party to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date is subject to the satisfaction or waiver on or prior to the Effective Time, of the following conditions:

(a) REGISTRATION STATEMENT. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings by the SEC seeking a stop order. This condition may not be waived by any party.

(b) NO INJUNCTION. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment, injunction, stay or other order (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of any of the transactions contemplated in this Agreement nor shall any of the same brought by a Governmental Authority of competent jurisdiction be pending or threatened that seeks the foregoing.

(c) OPERATING PARTNERSHIP AGREEMENT. The Operating Partnership Agreement, in substantially the form attached hereto as Exhibit F, shall have been executed and delivered by the partners of the Operating Partnership and shall be in full force and effect and, except as contemplated by Section 2.02 or the other Formation Transaction Documents, shall not have been amended or modified.

Section 7.02 CONDITIONS TO OBLIGATIONS OF THE SPE. The obligation of the SPE to effect the Merger and to consummate the other transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the SPE, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have a REIT Material Adverse Effect, each of the representations and warranties of the REIT and Merger Sub contained in this Agreement shall be true and correct in all material respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE REIT AND MERGER SUB. Except as would not have a REIT Material Adverse Effect, each of the REIT and Merger Sub shall have performed all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) REGISTRATION RIGHTS AGREEMENT. The REIT shall have entered into the registration rights agreement substantially in the form attached as Exhibit C. This condition may not be waived by any party.

(d) OWNERSHIP WAIVER. Solely with respect to Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns (collectively, the "Rady Group"), based on the shareholder representation letter described in Section 7.03(j), the Board of Directors of the REIT shall have granted an exception to the Common Stock Ownership Limit and the Aggregate Stock Ownership Limit set forth in the REIT Charter, providing the Rady Group with an Excepted Holder Limit (as defined in the REIT Charter) of [__]%.

Section 7.03 CONDITIONS TO OBLIGATION OF THE REIT AND MERGER SUB. The obligations of the REIT and Merger Sub to effect the Merger and to consummate the other

transactions contemplated by this Agreement to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by the REIT and Merger Sub, in whole or in part):

(a) REPRESENTATIONS AND WARRANTIES. Except as would not have an SPE Material Adverse Effect, each of the representations and warranties of the SPE contained in this Agreement, as well as those of the Ernest Rady Trust U/D/T March 10, 1983, as amended (the "Rady Trust"),under the Representation, Warranty and Indemnity Agreement, shall be true and correct in all respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(b) PERFORMANCE BY THE SPE. The SPE shall have performed in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) IPO CLOSING. The closing of the IPO shall occur substantially concurrently with the Closing.

(d) CONSENTS, ETC. All necessary consents or approvals of Governmental Authorities or third parties (including lenders) for the SPE to consummate the transactions contemplated hereby shall have been obtained.

(e) NO MATERIAL ADVERSE CHANGE. There shall have not occurred between the date hereof and the Closing Date any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the SPE or the SPE Subsidiaries and the Properties, taken as a whole.

(f) REPRESENTATION, WARRANTY AND INDEMNITY AGREEMENT. The Rady Trust shall have entered into the Representation, Warranty and Indemnity Agreement.

(g) ESCROW AGREEMENT. The parties thereto shall have entered into the Escrow Agreement.

(h) LOCK-UP AGREEMENT. Each of the Pre-Formation Participants owning interests in the SPE shall have entered into the Lock-Up Agreement substantially in the form attached as Exhibit E.

(i) SHAREHOLDER REPRESENTATION LETTER. The Rady Group shall have executed and delivered a letter to the REIT setting forth certain representations and undertakings related to the Rady Group's ownership of REIT Shares in a form reasonably acceptable to the Board of Directors of the REIT and which allows the Board of Directors of the REIT to reasonably conclude that the ownership waiver and Excepted Holder Limit granted in Section 7.02(d) will not jeopardize the REIT's status as a real estate investment trust under the Code and make the other determinations required by the REIT Charter in connection with granting such waiver and Excepted Holder Limit.

ARTICLE VIII
GENERAL PROVISIONS

Section 8.01 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (i) delivered personally, (ii) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (iii) one (1) Business Day after being sent by a nationally recognized overnight courier or (iv) transmitted by facsimile if confirmed within twenty-four (24) hours thereafter by a signed original sent in the manner provided in clause (i), (ii) or (iii) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party):

if to the REIT or Merger Sub to:

American Assets Trust, L.P.
11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

if to the SPE to:

11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620

Section 8.02 DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings.

(a) "Accredited Investor" has the meaning set forth under Regulation D of the Securities Act.

(b) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(c) "Allocated Share" means the amount that would be allocated to a Pre-Formation Participant that is the holder of an interest in an American Assets Entity in accordance with the provisions of the existing Organizational Documents of such entity relating to distributions of distributable net proceeds from sales of directly or indirectly owned properties or assets, and assuming the sale of the relevant Target Asset or Target Assets that are directly or indirectly owned by such entity for a value equal to such Target Asset's or Target Assets' respective Equity Value(s).

Notwithstanding the foregoing, the Allocated Share of any Pre-Formation Participant shall reflect the following adjustments:

1. Intercompany Debt Adjustment. In calculating Allocated Share, all Intercompany Debt shall be taken into account so that the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligor of Intercompany Debt collectively are reduced, and the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligee of such Intercompany Debt collectively are increased, in each case by the amount of such Intercompany Debt (such adjustments being referred to as "Intercompany Debt Adjustments").

2. Entity Specific Debt Adjustment. To the extent that Entity Specific Debt is allocated to a Target Asset, in calculating Allocated Shares of holders of direct or indirect Pre-Formation Interests in the American Assets Entity or Entities owning such Target Asset, the amount of the decrease in Equity Value of such Target Asset attributable to the allocation of such Entity Specific Debt to such Target Asset (through the operation of the formula set forth on Schedule II) (in each case, such decrease being the "Decrease") shall be taken into account so that:

    a. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in any obligor(s) under such Entity Specific Debt collectively shall be (i) reduced by the amount equal to the excess of (w) the amount of the Entity Specific Debt owed by such obligor over (x) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset; or (ii) increased by the amount equal to the excess of (y) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset over (z) the amount of the Entity Specific Debt owed by such obligor; and

    b. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in American Assets Entities owning such Target Asset that are not obligors under such Entity Specific Debt collectively shall be increased by the amount equal to the amount of the Decrease allocated pro rata to such holders as direct or indirect owner of the Target Asset;

with the net effect under the foregoing clauses (a)(i), (a)(ii) and (b) being that the adverse economic impact of the Decrease shall be borne equitably by the holders of direct or indirect Pre-Formation Interests in the actual obligor(s) under such Entity Specific Debt and not by any other holder of direct or indirect Pre-Formation Interests in the American Assets Entities owning such Target Asset.

Illustrative examples of the application of the foregoing Allocated Share adjustments using hypothetical numbers are included as Example 3 and Example 4 in ***Appendix A*** to Schedule II.

(d) "Alternate Transaction" means (i) a contribution of the assets held by the SPE to the REIT in exchange for the amount of cash and the number of REIT Shares that were to be issued pursuant to this Agreement, (ii) a contribution of the assets held by the SPE to the Operating Partnership in exchange for the amount of cash and a number of OP Units equal to the number of REIT Shares that were to be issued pursuant to this Agreement, (iii) a contribution by each holder of direct or indirect equity interests in the SPE to the Operating Partnership or the REIT in exchange for the amount of cash and a number of OP Units and/or REIT Shares equal to the number of REIT Shares that would have otherwise been received by such holder of direct or indirect equity interests pursuant to this Agreement, (iv) the restructuring of the Merger as either (x) a merger of the SPE with and into the REIT, the Operating Partnership or a wholly owned subsidiary of the Operating Partnership or (y) a merger of a wholly owned subsidiary of the REIT or the Operating Partnership with and into the SPE, in each case in exchange for the amount of cash and the number of REIT Shares that were to be issued pursuant to this Agreement (or the amount of cash and a number OP Units equal to the number of REIT Shares that were to be issued pursuant to this Agreement), or (v) any other transaction pursuant to which the REIT, the Operating Partnership or any of their Subsidiaries acquire the assets held by the SPE or each holder of direct or indirect equity interests in such SPE in a transaction pursuant to which each holder of direct or indirect interests in such SPE receives the amount of cash, the number of OP Units and/or the number of REIT Shares that were to be received by such holder pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets acquired by the REIT, the Operating Partnership or any of their Subsidiaries pursuant to such Alternate Transaction).

(e) "American Assets Entity" means a Forward OP Merger Entity, Forward REIT Merger Entity, OP Sub Reverse Merger Entity, OP Sub Forward Merger Entity, REIT Sub Forward Merger Entity, or Contributed Entity, as applicable. As used herein, "American Assets Entities" refer to each American Assets Entity, collectively.

(f) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California.

(g) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(h) "Consent Form" means the forms provided to each holder of Pre-Formation Interests to consent to the Formation Transactions and to make such holder's irrevocable elections with respect to consideration to be received in the Formation Transactions.

(i) "Environmental Laws" means all federal, state and local Laws governing pollution or the protection of human health or the environment.

(j) "Escrow Agreement" means the Indemnity Escrow Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(k) "Equity Value" has the meaning set forth in Schedule II hereto.

(l) "Formation Transaction Documentation" means all of the agreements and plans of merger (including this Agreement) relating to all target entities and all contribution agreements and related documents and agreements, substantially in the forms accompanying the Request for Consent dated July 31, 2010 and identified in Exhibit A hereto, pursuant to which all of the American Assets Entities and/or the equity interests in the American Assets Entities held by the Pre-Formation Participants are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(m) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(n) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(o) "Intercompany Debt" means loans or advances among American Assets Entities and/or their Subsidiaries or among holders of Pre-Formation Interests on the one hand and American Assets Entities and/or their Subsidiaries on the other hand, other than those promissory notes set forth on ***Appendix D*** to Schedule II for which Del Monte Center is listed as the associated Target Asset, each of which loans or advances are set forth on Schedule III hereto. Intercompany Debt shall not be discharged pursuant to the Formation Transactions except to the extent any such Intercompany Debt merges out of existence by operation of law as a result of such transactions (e.g., if the Operating Partnership acquires both the obligor and obligee interest in a loan which reflects an Intercompany Debt). After the closing of the Formation Transactions, and except as provided below, to the extent any such loans are acquired by the REIT, Operating Partnership or their Subsidiaries (e.g., an obligor or obligee with respect to such loans is merged with or into, or acquired by, one of such entities), the REIT, Operating Partnership or their Subsidiaries (as applicable) shall be permitted to take any actions (including repayment) with respect to such Intercompany Debt as they deem appropriate. Intercompany Debt with respect to which either the obligor or the obligee (but not both such parties) under such Intercompany Debt is acquired, directly or indirectly, by the REIT, Operating Partnership or their Subsidiaries, shall be deemed to be discharged immediately after the Formation Transactions by (i) the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligor, or (ii) the obligor to the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligee, in each case in exchange for the consideration payable as set forth in the applicable Formation Transaction Documentation. The amounts payable and receivable with respect to each item of Intercompany Debt shall be determined by the REIT, for purposes of determining the Intercompany Debt Adjustments, within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

(p) "IPO Closing Date" means the closing date of the IPO.

(q) "IPO Price" means the initial public offering price of a REIT Share in the IPO.

(r) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(s) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(t) "Lock-Up Agreement" means that certain Lock-Up Agreement, by and between the underwriters and each investor of the REIT and/or the Operating Partnership.

(u) "Operating Partnership Agreement" means the agreement of limited partnership of the Operating Partnership, as amended and restated and in effect immediately prior to the Effective Time.

(v) "Organizational Documents" means the certificate of formation, certificate of incorporation and bylaws, certificate of limited partnership and limited partnership agreement, limited liability company agreement or operating agreement of the SPE or any SPE Subsidiary, as applicable.

(w) "Permitted Liens" means (i) Liens, or deposits made to secure the release of such Liens, securing Taxes, the payment of which is not delinquent or the payment of which (including, without limitation, the amount or validity thereof) is being contested in good faith by appropriate proceedings for which adequate reserves have been made in accordance with GAAP; (ii) zoning, entitlement, building and other land use Laws imposed by governmental agencies having jurisdiction over the Properties; (iii) covenants, conditions, restrictions, easements for public utilities, encroachments, rights of access or other non-monetary matters that do not materially impair the use of the Properties for the purposes for which they are currently being used or proposed to be used in connection with the relevant Person's business; (iv) Liens securing financing or credit arrangements existing as of the Closing Date; (v) Liens arising under leases in effect as of the Closing Date; (vi) any exceptions contained in any title policy (including any policy issued to a secured lender) relating to the Properties as of the Closing Date; (vii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business that are not yet due and payable and which are not, in the aggregate, material to the business, operations and financial condition of the Properties so encumbered; and (viii) any matters that would not have an SPE Material Adverse Effect.

(x) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(y) "Pre-Formation Interests" means the interests held by the Pre-Formation Participants in the American Assets Entities.

(z) "Pre-Formation Participants" means the holders of the direct and indirect equity interests in the relevant American Assets Entities immediately prior to the Formation Transactions.

(aa) "Prospectus" means the REIT's final prospectus as filed with the SEC.

(bb) "REIT Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the Operating Partnership and each REIT Subsidiary, taken as a whole.

(cc) "Representation, Warranty and Indemnity Agreement" means the Representation, Warranty and Indemnity Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(dd) "Securities Act" means the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder.

(ee) "SPE Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the SPE and each SPE Subsidiary, taken as a whole.

(ff) "Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person owns (either directly or through or together with another Subsidiary of such Person) either (i) a general partner, managing member or other similar interest, or (ii)(A) ten percent (10%) or more of the voting power of the voting capital stock or other equity interests, or (B) ten percent (10%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity.

(gg) "Target Asset" has the meaning set forth in Schedule II hereto.

(hh) "Tax" means all federal, state, local and foreign income, gross receipts, license, property, withholding, sales, franchise, employment, payroll, goods and services, stamp, environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

(ii) "Underwriting Agreement" means that certain underwriting agreement, by and between the REIT, the Operating Partnership and certain underwriters set forth therein, pursuant to which the REIT will issue and sell shares in the IPO.

Section 8.03 COUNTERPARTS. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

Section 8.04 ENTIRE AGREEMENT; THIRD-PARTY BENEFICIARIES. This Agreement, the other Formation Transaction Documentation and the Consent Forms to which the parties hereto are a party, including, without limitation, the exhibits and schedules hereto and thereto, constitute the entire agreement and, except as set forth in Section 1.09, supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

Section 8.05 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, regardless of any Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 8.06 ASSIGNMENT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; *provided, however*, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that the REIT may assign its rights and obligations hereunder to an Affiliate.

Section 8.07 JURISDICTION. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the County of San Diego, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such

courts would have subject matter jurisdiction with respect to such dispute and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

Section 8.08 DISPUTE RESOLUTION. The parties intend that this Section 8.08 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to Section 8.08(c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this agreement to arbitrate) that is not resolved pursuant to Section 8.08(a) above shall be submitted to final and binding arbitration in California before one neutral and impartial arbitrator, in accordance with the Laws of the State of California for agreements made in and to be performed in that State. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. Each of the REIT and the SPE shall appoint one arbitrator within fifteen (15) days of a demand for arbitration. If the REIT and the SPE cannot mutually agree upon an arbitrator within such 15-day period, the arbitrator shall be appointed by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain

temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs, and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

Section 8.09 SEVERABILITY. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable law, but if any provision is held invalid, illegal or unenforceable under applicable law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

Section 8.10 RULES OF CONSTRUCTION.

(a) The parties hereto agree that they have had the opportunity to be represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Unless explicitly stated otherwise herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

Section 8.11 EQUITABLE REMEDIES. The parties agree that irreparable damage would occur to the REIT in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the REIT shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the SPE and to enforce specifically the terms and provisions hereof in any federal or state court located in California, this being in addition to any other remedy to which the REIT is entitled under this Agreement or otherwise at law or in equity.

Section 8.12 WAIVER OF SECTION 1542 PROTECTIONS. As of the Closing, the SPE expressly acknowledges that it has had, or has had and waived, the opportunity to be advised by independent legal counsel and hereby waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542 which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Section 8.13 TIME OF THE ESSENCE. Time is of the essence with respect to all obligations under this Agreement.

Section 8.14 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 8.15 NO PERSONAL LIABILITY CONFERRED. This Agreement shall not create or permit any personal liability or obligation on the part of any officer, director, partner, employee or shareholder of the REIT, Merger Sub or the SPE.

Section 8.16 AMENDMENTS. This Agreement may be amended by appropriate instrument, without the consent of the SPE, at any time prior to the Effective Time; *provided*, that no such amendment, modification or supplement shall be made that alters the amount or changes the form of the consideration to be delivered to the SPE, without the prior written consent of the SPE in the event that the SPE would be adversely affected by such proposed amendment, modification or supplement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers, all as of the date first written above.

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: _____
Name: John W. Chamberlain
Title: President

[REIT SUB FORWARD MERGER ENTITY]
a [_____]

By: _____
Name:
Title:

[Signature Page to REIT Sub Forward Merger Agreement]

AGREED AND ACCEPTED as of

[_____], 2010,

[REIT SUB FORWARD MERGER ENTITY MERGER SUB],
a Delaware limited liability company

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its Sole Member

By: _____
Name: _____
Title: _____

[Signature Page to REIT Sub Forward Merger Agreement]

Schedule I

List of Forward OP Merger Entities:

1. Solana Beach Towne Centres Investments, L.P.
2. Pacific San Jose Holdings, L.P.
3. Pacific Sorrento Mesa Holdings, L.P.
4. Hillside 104, a California limited partnership
5. Hillside 276, a California limited partnership
6. Desert Hillside Holdings, LLC
7. BWH Holdings, LLC
8. Waikele Center Holdings, LP

List of Forward REIT Merger Entities:

1. Pacific Stonecrest Assets, Inc.
2. Pacific National City Assets, Inc.
3. Western Assets, Inc.
4. Pacific Towne Centre Assets, Inc.
5. Pacific Oceanside Assets, Inc.
6. Pacific San Jose Assets, Inc.
7. KMBC Assets, Inc.
8. Hero Retail, Inc.
9. Pacific Sorrento Valley Assets I, Inc.
10. Pacific Sorrento Mesa Assets, Inc.
11. Beach Walk Assets, Inc.
12. ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]
13. ICW Valencia, Inc.
14. Pacific Torrey Reserve Assets, Inc.
15. Landmark Assets, Inc.
16. Landmark One Market, Inc.
17. Pacific Novato Assets, Inc.
18. Waikele Center Assets, Inc.

List of OP Sub Forward Merger Entities:

1. Pacific Stonecrest Holdings, L.P.
2. Rancho Carmel Plaza, a California limited partnership
3. Pacific Oceanside Holdings, L.P.
4. Kearny Mesa Business Center, a California limited partnership
5. Del Monte Center Holdings, LP
6. Beach Walk Holdings, LP
7. ICW Plaza, L.P., a California limited partnership
8. ICW Valencia, L.P.
9. Desert Oceanside Holdings, LLC
10. San Diego Loma Palisades, L.P.

List of OP Sub Reverse Merger Entities:

1. Pacific Waikiki Holdings, L.P.
2. ABW Lewers LLC
3. King Street Holdings, LP
4. Loma Palisades, a California general partnership

List of REIT Sub Forward Merger Entities:

1. Pacific Del Mar Assets, Inc.
2. Pacific Carmel Mountain Assets, Inc.
3. Pacific Solana Beach Assets, Inc.
4. Pacific Waikiki Assets, Inc.
5. King Street Assets, Inc.
6. Pacific Sorrento Valley Assets II, Inc.
7. Pacific Santa Fe Assets, Inc.

List of Contributed Entities:

1. American Assets Trust Management, LLC
2. Winrad Vista Hacienda, a California general partnership
3. Vista Hacienda, a California limited partnership
4. Pacific American Assets Holdings, L.P., a California limited partnership
5. Carmel Country Plaza, L.P.
6. Pacific Carmel Mountain Holdings, L.P.
7. Pacific National City Holdings, L.P.
8. Pacific Solana Beach Holdings, L.P.
9. Pacific San Jose Holdings, L.P.
10. Winrad Kearny Mesa Business Center, a California general partnership
11. Pacific Sorrento Valley Holdings I, L.P.
12. Pacific Sorrento Mesa Holdings, L.P.
13. Beach Walk Holdings, LP
14. ICW Plaza, L.P., a California limited partnership
15. ICW Valencia, L.P.
16. Pacific Sorrento Valley Holdings II, L.P.
17. EBW Hotel LLC
18. Imperial Strand, a California limited partnership
19. Winrad Imperial Strand, a California general partnership

20. San Diego Loma Palisades, L.P.

21. Mariner’s Point, LLC

22. Pacific Santa Fe Holdings, L.P.

Schedule II

Calculation of Equity Value

For purposes of all Formation Transaction Documentation, "Equity Value" of any Target Asset directly or indirectly owned by the American Assets Entity subject to such agreement shall be calculated pursuant to the formula set forth below. Capitalized terms used in this Schedule II shall have the meanings set forth below and capitalized terms used herein without definition shall have the meanings assigned to such terms in the Agreement.

$$EV = EP \times [TFTV\text{-}TPA]+AA;$$

where:

EV = Equity Value;
EP = Equity Percentage;
TFTV= Total Formation Transaction Value;
TPA = Total Portfolio Adjustment; and
AA = Asset Adjustment;

provided, however, that if the resulting Equity Value for a Target Asset is a negative amount (a "Net Deficit"), then the REIT shall exercise one of the following options, as determined by the REIT in its sole and absolute discretion: (i) select the Target Asset as an Eliminated Asset or (ii) if one or more entities that are subject to the Formation Transaction Documentation that are the direct or indirect owners of such Target Asset would otherwise possess Excluded Assets the value of which in the aggregate would equal or exceed the amount of such Net Deficit, increase the Target Net Working Capital with respect to such entity or entities by the absolute value of such Net Deficit; and *provided further* that if the REIT shall have exercised option (ii) with respect to any Target Asset, the Equity Value with respect to such Target Asset shall be deemed to be equal to zero;

provided further, that if the Equity Value for ICW Valencia/Valencia Corporate Center as calculated above would result in the holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. having an amount of Allocated Shares, prior to the application of the Intercompany Debt Adjustments, that is less than the value of the Intercompany Debt owed by ICW Valencia, L.P. to ICW Plaza, L.P. (such shortfall being referred to as the "Intercompany Debt Shortfall"), then (i) Western Insurance Holdings, Inc. shall issue a promissory note with a term of three years to ICW Valencia, L.P. which shall be treated as an Asset Adjustment with respect to ICW Valencia/Valencia Corporate Center and such promissory note (the "WIH Note") shall have such face amount as shall be necessary to increase the Equity Value of ICW Valencia/Valencia Corporate Center such that the Allocated Shares of holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. shall increase by an amount, prior to the application of the Intercompany Debt Adjustments, equal to the Intercompany Debt Shortfall and (ii) the Equity Value for ICW Valencia/Valencia Corporate Center shall be recalculated to give effect to the Asset Adjustment attributable to the issuance of the WIH Note.

Attached as ***Appendix A*** to this Schedule II are illustrative calculations of Equity Value for a hypothetical portfolio of Target Assets.

"Actual Balance" shall mean: (i) with respect to each Existing Loan to be assumed in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such assumption and all assumption fees and any related expenses with respect to such Existing Loan; and (ii) with respect to each Existing Loan to be prepaid, repaid or refinanced in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such prepayment, repayment or refinancing and any related prepayment penalties and any related expenses; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Actual Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed. With respect to each Existing Loan to be assumed, prepaid, repaid or refinanced in connection with the Formation Transactions, the Actual Balance as of the Closing Date shall be determined by the REIT within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

"Asset Adjustment" shall mean with respect to each Target Asset and any Existing Loan relating to such Target Asset, an amount equal to the Base Balance minus the Actual Balance (expressed as a positive or negative number, as applicable) with respect to all Existing Loans relating to such Target Asset, and in the case of ICW Valencia/Valencia Corporate Center, the face value of the WIH Note shall be deemed to reduce the Actual Balance of the Existing Loan relating to ICW Valencia/Valencia Corporate Center.

"Base Balance" shall mean with respect to each Existing Loan, the principal amount of such Existing Loan set forth on ***Appendix C*** to this Schedule II; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Base Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Eliminated Asset" shall mean any Target Asset subject to the Formation Transaction Documentation that is excluded pursuant to the terms of the Formation Transaction Documentation from the Formation Transactions.

"Equity Percentage" shall mean with respect to each Target Asset, the percentage (expressed as a decimal) set forth opposite the name of such Target Asset on ***Appendix B*** to this Schedule II (which percentage is based on the Fairness Opinion of Duff & Phelps, LLC and represents such

Target Asset's percentage of the net asset values of the Target Assets (other than the Management Company) and the net equity value of the Management Company, taken as a whole); *provided*, *however*, that in the event a Target Asset is selected as or otherwise becomes for any reason an Eliminated Asset, then: (i) the Equity Percentage for each remaining Target Asset shall be recalculated as a fraction, the numerator of which is the original Equity Percentage for such remaining Target Asset and the denominator of which is (A) 100 minus (B) the original Equity Percentage of the Eliminated Asset; and (ii) the Equity Percentage of the Eliminated Asset shall be zero; and *provided*, *further*, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then, after giving effect to any Eliminated Assets pursuant to the preceding proviso, the Equity Percentage for such Target Asset and for each other remaining Target Asset subject directly or indirectly to the Formation Transaction Documentation shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Excluded Assets" has the meaning set forth in Section 5.03 to the Agreement.

"Existing Loan" shall mean (i) each mortgage or mezzanine loan secured by a Target Asset listed on ***Appendix C*** to this Schedule II and (ii) all unsecured indebtedness of an American Assets Entity or of an entity in which an American Assets Entity has a direct or indirect interest that will be assumed, prepaid, repaid or refinanced in connection with the IPO and that is set forth on ***Appendix D*** to this Schedule II (all indebtedness falling within the scope of this clause (ii) shall be referred to as "Entity Specific Debt"); for the avoidance of doubt, no Intercompany Debt shall constitute an Existing Loan (in order to avoid double counting, as Intercompany Debt is adjusted for through the definition of "Allocated Share"). Existing Entity Specific Debt will be deemed to relate to the Target Asset(s) and, if to multiple Target Assets, in the proportions set forth opposite the name of such Entity Specific Debt on ***Appendix D*** to this Schedule II, and all such Entity Specific Debt will be deemed to have a Base Balance of zero (because "Equity Percentage" as determined by Duff & Phelps, LLC was determined at the property level and did not take into account Entity Specific Debt, Entity Specific Debt is deemed to be zero in order to cause a readjustment of "Equity Value" of all Target Assets after taking into account such Entity Specific Debt).

"Target Asset" shall mean each property set forth on Appendix B to this Schedule II and the property management business of American Assets, Inc. (the "Management Company").

"Target Net Working Capital" has the meaning set forth in Schedule 5.03 to the Agreement.

"Total Portfolio Adjustment" shall mean the sum (which may be a positive or negative number) of all Asset Adjustments for every Target Asset, excluding Eliminated Assets.

"Total Formation Transaction Value" shall mean the aggregate dollar value of (i) the cash, (ii) the REIT Shares and (iii) the OP Units that are issued or issuable to all Pre-Formation Participants in the Formation Transactions as set forth in the Prospectus. Total Formation Transaction Value will be determined valuing REIT Shares and OP Units at a value per REIT Share or OP Unit equal to the IPO Price.

Appendix A to Schedule II

Worked Examples

The figures and calculations included in this ***Appendix A*** are for illustrative purposes only and are based on a hypothetical portfolio of properties. Neither the hypothetical Total Formation Transaction Value nor any of the other figures or calculations presented on ***Appendix A*** shall be binding on the REIT or the Operating Partnership, and should not be considered an indication of value of the American Assets Entities. The value of the American Assets Entities will ultimately be determined by the REIT in consultation with the underwriters of the IPO based on public investor demand and may be lower or higher than the hypothetical Total Formation Transaction Value shown on ***Appendix A***. In addition, the calculations in ***Appendix A*** assume that each of Target Assets in this hypothetical portfolio of properties will be wholly owned, directly or indirectly, by the REIT.

Example - Base Case

In the hypothetical examples shown below, the Target Assets that will be acquired by the REIT in the Formation Transactions consist of four shopping centers. The Total Formation Transaction Value, or "TFTV," for this entire portfolio of properties will be $400, absent the impact of certain potential adjustments described in the subsequent examples. Each Target Asset (i) is subject to a $25 mortgage, (ii) was determined by a third-party valuator to have a relative equity value equal to 25% of the entire portfolio and (iii) has two owners, each of whom has a 50% interest in the property.

Target Asset	Equity Percentage ("EP") (determined by 3rd party valuator)	Property Holding Companies & Ownership %
Shopping Center 1	25%	Company A (50%) Company B (50%)
Shopping Center 2	25%	Company C (50%) Company D (50%)
Shopping Center 3	25%	Company E (50%) Company F (50%)
Shopping Center 4	25%	Company G (50%) Company H (50%)
Total	100%	

Applying the Equity Value formula and assuming that there is no Entity Specific Debt and no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [400 - 0] + 0
Shopping Center 2	100 = 25% x [400 - 0] + 0
Shopping Center 3	100 = 25% x [400 - 0] + 0

Shopping Center 4	100 = 25% x [400 - 0] + 0
Total Equity Value	400

Example 2 – Mortgage Payoff

In this example, all of the facts described in the Base Case above are the same, except that prior to the completion of the Formation Transactions, the $25 mortgage on Shopping Center 1 is paid off such that at the time that Shopping Center 1 is acquired by the Operating Partnership it is not subject to any mortgage debt. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 1:

Property	**Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)**
Shopping Center 1	25 = 25 – 0
Shopping Center 2	0 = 25 – 25
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	25

In addition, by virtue of the reduction in the outstanding mortgage debt that will be assumed by the Operating Partnership in connection with the Formation Transactions, the Total Formation Transaction Value will have increased by the $25 value of the mortgage repayment from $400 to $425.

Applying the Equity Value formula reflecting these new facts and assuming that there is no Entity Specific Debt, the Equity Value of each of the four properties is as set forth below:

Property	**Equity Value = EP x [TFTV – TPA] + AA**
Shopping Center 1	125 = 25% x [425 - 25] + 25
Shopping Center 2	100 = 25% x [425 - 25] + 0
Shopping Center 3	100 = 25% x [425 - 25] + 0
Shopping Center 4	100 = 25% x [425 - 25] + 0
Total Equity Value	425

Example 3 – Entity Specific Debt

In this example, all of the facts described in the Base Case above are the same, except that Company C is subject to $25 of Entity Specific Debt related to Shopping Center 2, which will be assumed by the Operating Partnership upon the completion of the Formation Transactions. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 2:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	0 = 25 – 25
Shopping Center 2	-25 = 25 – 50
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	-25

In addition, by virtue of the assumption by the Operating Partnership of this Entity Specific Debt in connection with the Formation Transactions, the Total Formation Transaction Value will have decreased by the $25 value of the Entity Specific Debt from $400 to $375.

Applying the Equity Value formula reflecting these new facts and assuming that there is no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [375 - (-25)] + 0
Shopping Center 2	75 = 25% x [375 - (-25)] + (-25)
Shopping Center 3	100 = 25% x [375 - (-25)] + 0
Shopping Center 4	100 = 25% x [375 - (-25)] + 0
Total Equity Value	375

Here, through the operation of the Equity Value formula, all $25 of Company C's Entity Specific Debt has been allocated to Shopping Center 2 and has not impacted the Equity Value of the other Target Assets. However, without further adjustment, Company C and Company D, each as a 50% owner of Shopping Center 2, are equally burdened by Company C's Entity Specific Debt as show below:

	Company C	Company D
Allocated Share (unadjusted) of Equity Value before Inclusion of Entity Specific Debt:	50 = 100 x 50%	50 = 100 x 50%
Allocated Share (unadjusted) of Equity Value after Inclusion of Entity Specific Debt:	37.5 = 75 x 50%	37.5 = 75 x 50%
Decrease in Allocated Share (unadjusted) of Equity Value due to Inclusion of Entity Specific Debt:	12.5 = 50 - 37.5	12.5 = 50 - 37.5

Accordingly, by virtue of the operation of the Equity Value formula, Company C has only been allocated half ($12.5 of $25.0) of the Company C Entity Specific Debt obligation that should be allocated to Company C, and Company D has been allocated the remaining $12.5.

In order to address this inequitable allocation of Company C Entity Specific Debt , the definition of “Allocated Share” provides for an adjustment to (i) reduce the amount that would otherwise be payable to Company C by the amount by which the Entity Specific Debt exceeds the amount of such obligation that was previously allocated to Company C and (ii) increase the amount payable to Company D by the amount of the Entity Specific Debt obligation that was previously allocated to Company D, with the following outcome:

	Company A	Company B
Allocated Share (adjusted):	25 = 37.5 - 12.5	50 = 37.5 + 12.5

As a result of this adjustment to the Allocated Shares of Company C and Company D, the economic impact of all of Company C’s Entity Specific Debt will be allocated to Company C.

Example 4 – Intercompany Debt

In this example, all of the facts described in the Base Case above are the same, except that between the owners of Shopping Center 3, Company E has an Intercompany Debt obligation in the amount of $25 to Company F.

Prior to the application of the adjustments contained in the definition of Allocated Share, the Allocated Shares of the Owners of Shopping Center 3 would be as follows:

	Company E	Company F
Allocated Share (unadjusted):	50 = 100 x 50%	50 = 100 x 50%

To account for Intercompany Debt, the definition of "Allocated Share" provides an adjustment to (i) reduce the Allocated Share that would otherwise be payable to Company E by an amount equal to its indebtedness to Company F and (ii) increase the Allocated Share that would otherwise be payable to Company F by an amount equal to Company E's indebtedness to Company F, with the following outcome:

	Company E	Company F
Allocated Share (adjusted):	25 = 100 x 50% - 25	75 = 100 x 50% + 25

As a result of this adjustment to the Allocated Shares of Company E and Company F, the Intercompany Debt obligations between these entities have now been resolved

Appendix B to Schedule II

Equity Percentage for Each Target Asset

Target Asset	Equity Percentage
Alamo Quarry Market	10.1916%
Carmel Country Plaza	4.8359%
Carmel Mountain Plaza	7.1580%
South Bay Marketplace	0.3157%
Lomas Santa Fe Plaza	6.5271%
Rancho Carmel Plaza	0.4388%
Solana Beach Towne Centre	5.6143%
The Shops at Kalakaua	0.2883%
Del Monte Center	5.7928%
Waikele Center	9.0461%
Waikiki Beach Walk	
Waikiki Beach Walk Retail	0.6668%
Embassy Suites at Waikiki Beach Walk	6.3419%
ICW Valencia/Valencia Corporate Center	1.7184%
Torrey Reserve	
ICW Plaza	2.0728%
Torrey Reserve North Court I & II	4.1456%
Torrey Reserve South Court I & II	4.7826%
Torrey Daycare	0.2370%
Torrey VC I-III	1.2492%
Existing Common Area – Future Development Parcel	0.3981%
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	2.2375%
Solana Beach Corporate Centre – III & IV	0.3116%
Solana Beach Towne Centres Investments (Vacant Land)	0.0686%
160 King Street	2.4814%
The Landmark at One Market	5.5594%
Fireman’s Fund Headquarters	9.6718%
Imperial Beach Gardens	0.6589%
Loma Palisades	2.5884%
Mariner’s Point	0.2745%
Santa Fe Park RV Resort	0.3873%
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	0.1235%
Sorrento Pointe	0.2471%
Management Company (American Assets Trust Management, LLC)	3.5690%
Total	100.0000%

Appendix C to Schedule II

Base Balance of Existing Loans
(other than Entity Specific Debt)

Target Asset	Base Balance of Existing Loan
Alamo Quarry Market	$ 98,954,256
Carmel Country Plaza	$ 10,271,191
Carmel Mountain Plaza	$ 63,554,812
South Bay Marketplace	$ 23,000,000
Lomas Santa Fe Plaza	$ 19,850,458
Rancho Carmel Plaza	$ 8,103,021
Solana Beach Towne Centre	$ 40,000,000
The Shops at Kalakaua	$ 19,000,000
Del Monte Center	$ 82,300,000
Waikele Center	$ 140,700,000
Waikiki Beach Walk	
Waikiki Beach Walk Retail	$ 145,742,438
Embassy Suites at Waikiki Beach Walk	$ 53,000,000
ICW Valencia/Valencia Corporate Center	$ 23,581,507
Torrey Reserve	
ICW Plaza	$ 43,000,000
Torrey Reserve North Court I & II	$ 22,299,822
Torrey Reserve South Court I & II	$ 13,059,008
Torrey Daycare	$ 1,673,363
Torrey VC I-III	$ 7,500,000
Existing Common Area – Future Development Parcel	$ 0
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	$ 12,000,000
Solana Beach Corporate Centre – III & IV	$ 37,330,000
Solana Beach Towne Centres Investments (Vacant Land)	$ 0
160 King Street	$ 42,223,428
The Landmark at One Market	$ 133,000,000
Fireman’s Fund Headquarters	$ 176,542,099
Imperial Beach Gardens	$ 20,000,000
Loma Palisades	$ 73,744,000
Mariner’s Point	$ 7,700,000
Santa Fe Park RV Resort	$ 1,878,876
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	$ 0
Sorrento Pointe	$ 0
Management Company (American Assets Trust Management, LLC)	$ 0
Total	$ 1,320,008,279

Appendix D to Schedule II

Entity Specific Debt

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to DHM Trust	Del Monte Center	$ 117,273.17
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,231,368.26
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pauline M. Foster, Trustee of Non-Exempt Trust C under the Stanley and Pauline Foster Trust, dated July 31, 1981	Del Monte Center	$ 527,729.26
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 377,577.46
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to American Assets, Inc.	Del Monte Center	$ 357,464.50
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Nora Kaufman	Del Monte Center	$ 34,325.00
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Parma Family Trust	Del Monte Center	$ 36,886.08
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,288,289.73
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Arsobro, LP	Del Monte Center	$ 158,971.11
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Foster Del Monte, LLC	Del Monte Center	$ 238,540.95
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Gerald I. Solomon	Del Monte Center	$ 9,534.62
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Solomon Family Partnership	Del Monte Center	$ 23,828.31
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust 2	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 309,768.37

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to Arsobro, LP	Del Monte Center	$ 116,391.99
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to American Assets, Inc.	Del Monte Center	$ 74,233.18
Total	**Del Monte Center**	**$ 4,926,009.93**
Second Amended and Restated Promissory Note A Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Sorrento Mesa Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 6,498,716.00
Second Amended and Restated Promissory Note B Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Stonecrest Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 3,983,084.00
Total	**Waikele Center**	**$ 10,481,800.00**
Unsecured loan from ESW LLC to the Embassy Suites at Waikiki Beach Walk*	Embassy Suites at Waikiki Beach Walk	$ 14,874,102.00
Total	**Embassy Suites at Waikiki Beach Walk**	**$ 14,874,102.00**
Loan Agreement, dated as of June 29, 2010, between Bank of America, N.A. and Landmark One Market	The Landmark at One Market	$ 23,000,000.00
Total	**The Landmark at One Market**	**$ 23,000,000.00**
Unsecured loan from ICW Valencia, L.P. to certain holders of interests in ICW Plaza, L.P.	Valencia Corporate Center	$ 418,770.00
Total	**Valencia Corporate Center**	**$ 418,770.00**

* Loan not issued pursuant to a formal promissory note.

Schedule III

Intercompany Indebtedness

Intercompany Debt	Balance Outstanding as of June 30, 2010
Unsecured loan from American Assets, Inc. to Pacific Oceanside Holdings, L.P.*	$ 3,099,218
Unsecured loan from American Assets, Inc. to Kearny Mesa Business Center, L.P.*	$ 854,229
Promissory Note issued December 31, 2004 by American Assets, Inc. to Del Monte Center Holdings, LP	$ 1,785,680
Unsecured loan from American Assets, Inc. to Del Monte San Jose Holdings, LLC*	$ 1,854,631
Unsecured loan from American Assets, Inc. to Beach Walk Holdings, L.P.*	$ 2,861,766
Promissory Note issued December 31, 2004 by American Assets, Inc. to Solana Beach Towne Centre Investments, L.P.	$ 2,102,154
Promissory Note issued January 31, 2007 by American Assets, Inc. to ICW Plaza, L.P.	$ 7,748,809
Promissory Note issued December 31, 2004 by American Assets, Inc. to Pacific Stonecrest Holdings, L.P.	$ 901,116
Promissory Note issued December 31, 2004 by American Assets, Inc. to Rancho Carmel Plaza, L.P.	$ 305,370
Unsecured loan from American Assets, Inc. to Pacific Stonecrest Assets, Inc.*	$ 75,093
Promissory Note issued December 31, 2009 by American Assets, Inc. to Imperial Strand, L.P.	$ 1,364,104
Promissory Note issued December 31, 2004 by American Assets, Inc. to Loma Palisades, G.P.	$ 1,021,324
Total	**$ 23,973,494**
Promissory Note issued December 31, 2009 by Ernest Rady Trust U/D/T March 10, 1983, as amended, to American Assets, Inc	$ 14,144,458
Promissory Note issued December 19, 2007 by Pacific American Assets Holdings, L.P., to American Assets, Inc	$ 28,934,000
Promissory Note issued December 31, 2004 by Winrad Kearny Mesa Business Center, G.P. to American Assets, Inc	$ 757,906
Total	**$ 43,836,364**

Intercompany Debt	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 1,055,458.51
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 514,693.48
Total	**$ 1,570,152**

* Loan not issued pursuant to a formal promissory note.

Schedule 3.01(b)

List of REIT Subsidiaries

Owner	Ownership Interest
American Assets Trust, L.P.	
American Assets Trust, Inc.	100%
Pacific Del Mar Assets LLC	
American Assets Trust, Inc.	100%
Pacific Carmel Mountain Assets LLC	
American Assets Trust, Inc.	100%
Pacific Solana Beach Assets LLC	
American Assets Trust, Inc.	100%
Pacific Waikiki Assets LLC	
American Assets Trust, Inc.	100%
King Street Assets LLC	
American Assets Trust, Inc.	100%
Pacific Sorrento Valley Assets II LLC	
American Assets Trust, Inc.	100%
Pacific Santa Fe Assets LLC	
American Assets Trust, Inc.	100%
American Assets Trust Services, Inc. (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Vista Hacienda LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Pacific Stonecrest Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Rancho Carmel Plaza LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Pacific Waikiki Holdings Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Pacific Oceanside Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Kearny Mesa Business Center LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Del Monte Center Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%

Owner	Ownership Interest
Beach Walk Holdings LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
ABW Lewers Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
ICW Plaza Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
ICW Valencia LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
King Street Holdings Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Waikiki Beach Walk Hotel Lessee (indirect Subsidiary)	
American Assets Trust Services, Inc.	100%
Imperial Strand LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Loma Palisades Merger Sub LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%
Loma Palisades GP LLC (indirect Subsidiary)	
American Assets Trust, L.P.	100%

Schedule 4.01(b)

List of SPE Subsidiaries

PACIFIC DEL MAR ASSETS, INC.

Owner	Ownership Interest
Carmel Country Plaza, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **CARMEL COUNTRY PLAZA**	
Pacific Del Mar Assets, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	32.5
Nora Kaufman	2.5
Pacific American Assets Holdings, L.P., a California limited partnership	64

PACIFIC CARMEL MOUNTAIN ASSETS, INC.

Owner	Ownership Interest
Pacific Carmel Mountain Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **CARMEL MOUNTAIN PLAZA**	
Pacific Carmel Mountain Assets, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	99

PACIFIC SOLANA BEACH ASSETS, INC.

Owner	Ownership Interest
Pacific Solana Beach Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **LOMAS SANTA FE PLAZA**	
Pacific Solana Beach Assets, Inc.	20
Ernest Rady Trust U/D/T March 10, 1983, as amended	74.06
Marblank Investments, Inc.	4.06
Gaidebro Holdings, Inc.	1.88

PACIFIC WAIKIKI ASSETS, INC.

Owner	Ownership Interest
Pacific Waikiki Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **THE SHOPS AT KALAKAUA**	
Pacific Waikiki Assets, Inc.	0 [promote only]

Ernest Rady Trust U/D/T March 10, 1983, as amended	53.87
Arthur Brody, Trustee of the Arthur and Sophie Brody Revocable Trust, dated April 13, 1989	40
Thomas Wolfe	3.47
Gerald I. Solomon	2.66

KING STREET ASSETS, INC.

Owner	Ownership Interest
King Street Holdings, LP 11455 El Camino Real, Suite 200, San Diego, CA **160 KING STREET**	
King Street Assets, Inc.	0 [promote only]
Arsobro, LP	100

PACIFIC SORRENTO VALLEY ASSETS II, INC.

Owner	Ownership Interest
Pacific Sorrento Valley Holdings II, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **SORRENTO POINTE**	
Pacific Sorrento Valley Assets II, Inc.	1
Ernest Rady Trust U/D/T March 10, 1983, as amended	99

PACIFIC SANTA FE ASSETS, INC.

Owner	Ownership Interest
Pacific Santa Fe Holdings, L.P. 11455 El Camino Real, Suite 200, San Diego, CA **SANTA FE PARK RV RESORT**	
Pacific Santa Fe Assets, Inc.	1
American Assets, Inc.	99

Schedule 4.03

Capitalization

Owner	Ownership Interest
Pacific Del Mar Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Owner	Ownership Interest
Pacific Carmel Mountain Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Owner	Ownership Interest
Pacific Solana Beach Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Owner	Ownership Interest
Pacific Waikiki Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Owner	Ownership Interest
King Street Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Owner	Ownership Interest
Pacific Sorrento Valley Assets II, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Owner	Ownership Interest
Pacific Santa Fe Assets, Inc.	
Ernest Rady Trust U/D/T March 10, 1983, as amended	100

Schedule 4.08(a)

Title Insurance

PACIFIC DEL MAR ASSETS LLC

No Property has an associated owner's policy of title insurance.

PACIFIC CARMEL MOUNTAIN ASSETS LLC

No Property has an associated owner's policy of title insurance.

PACIFIC SOLANA BEACH ASSETS LLC

No Property has an associated owner's policy of title insurance.

PACIFIC WAIKIKI ASSETS LLC

Only the following Property has an associated owner's policy of title insurance:

Property	Beneficiary
The Shops at Kalakaua	Pacific Waikiki Holdings, L.P.

KING STREET ASSETS LLC

Only the following Property has an associated owner's policy of title insurance:

Property	Beneficiary
160 King Street	King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC

PACIFIC SORRENTO VALLEY ASSETS II LLC

No Property has an associated owner's policy of title insurance.

PACIFIC SANTA FE ASSETS LLC

No Property has an associated owner's policy of title insurance.

Schedule 4.12

Existing Loans

PACIFIC DEL MAR ASSETS, INC.

Property	Borrower / Loan Number	Lender or Servicer
Carmel Country Plaza	Carmel Country Plaza, L.P./04-5000121	Keybank Real Estate Capital

PACIFIC CARMEL MOUNTAIN ASSETS, INC.

Property	Borrower / Loan Number	Lender or Servicer
Carmel Mountain Plaza	Pacific Carmel Mountain Holdings, L.P./ 85-0201221, 85-0201222 Pacific Carmel Mountain Operations/85-0201219, 85-0201220	Wells Fargo Commercial Mortgage Services

PACIFIC SOLANA BEACH ASSETS, INC.

Property	Borrower / Loan Number	Lender or Servicer
Lomas Santa Fe Plaza	Pacific Solana Beach Holdings, LP/04-5000125, 04-5000132	Keybank Real Estate Capital

PACIFIC WAIKIKI ASSETS, INC.

Property	Borrower / Loan Number	Lender or Servicer
The Shops at Kalakaua	Pacific Waikiki Holdings, LP/85-0500149	Wells Fargo Commercial Mortgage Services

KING STREET ASSETS, INC.

Property	Borrower / Loan Number	Lender or Servicer
160 King Street	Borrowers King Street Holdings, LP King Desert Hillside, LLC King Desert Oceanside, LLC Loan Number 330063200	Cohen Financial

PACIFIC SORRENTO VALLEY ASSETS II, INC.

None.

PACIFIC SANTA FE ASSETS, INC.

Property	Borrower / Loan Number	Lender or Servicer
Santa Fe Park RV Resort	Pacific Santa Fe Holdings, L.P. / 04-5000122	Keybank Real Estate Capital

Schedule 4.13

Franchise Agreement

None.

Schedule 4.15

Taxes

None.

Schedule 4.21

Ownership of Certain Assets

Pacific Sorrento Valley Assets II, Inc.
Pacific Sorrento Valley Holdings II, L.P.

Pacific Del Mar Assets, Inc.
None.

Pacific Carmel Mountain Assets, Inc.
None.

Pacific Solana Beach Assets, Inc.
None.

Pacific Waikiki Assets, Inc.
None.

King Street Assets, Inc.
None.

Pacific Santa Fe Assets, Inc.
None.

Schedule 5.03

Excluded Assets

Excluded Assets consist of any excess of Net Working Capital over Target Net Working Capital. "Net Working Capital" means current assets minus current liabilities of the relevant entity as of a date within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow. Any Excluded Assets consisting of any excess of Net Working Capital of Target Working Capital shall be distributed or paid to Pre-Formation Participants promptly after consummation of the IPO after determination by the REIT. The REITs determination of such amount shall be final and binding on all Pre-Formation Participants.

"Target Net Working Capital" means zero with respect to all entities, other than ABW Lewers, LLC; EBW Hotel, LLC; Broadway 225 Sorrento Holdings, LLC; Broadway 225 Stonecrest Holdings, LLC; and Waikele Venture Holdings, LLC, for which Target Net Working Capital will be $5,000,000, $2,050,000, $766,500, $470,000 and $1,713,500, respectively; *provided*, *however* that if the REIT adjusts Target Net Working Capital pursuant to the proviso in the first paragraph of Schedule II, Target Net Working Capital shall be such adjusted amount.

EXHIBITS

Exhibit A:	**Formation Transaction Documentation**
Exhibit B:	**REIT Charter**
Exhibit C:	**Form of Registration Rights Agreement**
Exhibit D:	**Order of Mergers**
Exhibit E:	**Lock-Up Agreement**
Exhibit F:	**Operating Partnership Agreement**

Exhibit A

Formation Transaction Documentation

Form of Forward REIT Merger Agreement

Form of REIT Sub Forward Merger Agreement

Form of Forward OP Merger Agreement

Form of OP Sub Forward Merger Agreement

Form of OP Sub Reverse Merger Agreement

Form of OP Contribution Agreement

Form of OP Sub Contribution Agreement

Form of Alternate Contribution Agreement

Form of Tax Protection Agreement

Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.

Registration Rights Agreement

Representation, Warranty and Indemnity Agreement

Indemnity Escrow Agreement

Lock-Up Agreement

Articles of Amendment and Restatement of American Assets Trust, Inc.

Bylaws of American Assets Trust, Inc.

Management Business Contribution Agreement

Exhibit B

REIT Charter

AMERICAN ASSETS TRUST, INC.

ARTICLES OF AMENDMENT AND RESTATEMENT

FIRST: American Assets Trust, Inc., a Maryland corporation (the "Corporation"), desires to amend and restate its charter (the "Charter") as currently in effect and as hereinafter amended.

SECOND: The following provisions are all the provisions of the Charter currently in effect and as hereinafter amended:

ARTICLE I

NAME

The name of the Corporation is:

American Assets Trust, Inc.

ARTICLE II

PURPOSE

The purposes for which the Corporation is formed are to engage in any lawful act or activity (including, without limitation or obligation, engaging in business as a real estate investment trust (a "REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or any successor statute (the "Code")) for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force.

ARTICLE III

PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The address of the principal office of the Corporation in the State of Maryland is c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201. The name of the resident agent of the Corporation in the State of Maryland is The Corporation Trust Incorporated, whose post address is 351 West Camden Street, Baltimore, Maryland 21201. The resident agent is a Maryland corporation.

ARTICLE IV

PROVISIONS FOR DEFINING, LIMITING

AND REGULATING CERTAIN POWERS OF THE
CORPORATION AND OF THE STOCKHOLDERS AND DIRECTORS

Section 4.1 *Number of Directors*. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation is seven (7), which number may be increased or decreased only by the Board of Directors pursuant to the Bylaws of the Corporation (the "Bylaws"), but shall never be less than the minimum number required by the Maryland General Corporation Law (the "MGCL"). The names of the directors who shall serve until the next annual meeting of stockholders and until their successors are duly elected and qualify are:

Ernest S. Rady
John Chamberlain
[_____]
[_____]
[_____]
[_____]
[_____]

The Board of Directors may increase or decrease the number of directors and may fill any vacancy, whether resulting from an increase in the number of directors or otherwise, on the Board of Directors in the manner provided in the Bylaws.

The Corporation elects, at such time as it becomes eligible under Section 3-802 of the MGCL to make the election provided for under Section 3-804(c) of the MGCL, that, except as may be provided by the Board of Directors in setting the terms of any class or series of stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred.

Section 4.2 *Extraordinary Actions*. Except as specifically provided in Section 4.8 of this Article IV (relating to removal of directors), notwithstanding any provision of law permitting or requiring any action to be taken or approved by the affirmative vote of the holders of shares entitled to cast a greater number of votes, any such action shall be effective and valid if declared advisable by the Board of Directors and taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 4.3 *Authorization by Board of Stock Issuance*. The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the MGCL, the Charter or the Bylaws.

Section 4.4 *Preemptive and Appraisal Rights*. Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 6.4 or as may otherwise be provided by a contract approved by the Board of Directors, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell. Holders of shares of stock shall not be entitled to exercise any rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the MGCL or any successor statute unless the Board of Directors, upon the affirmative vote of a majority of the Board of Directors, shall determine that such rights apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise such rights.

Section 4.5 *Indemnification*. The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner, member, manager or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in such capacity. The Corporation shall have the power, with the approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Section 4.6 *Determinations by Board*. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Directors consistent with the Charter, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, annual or other cash flow, funds from operations, net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of any class or series of stock of the Corporation; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation or of any shares of stock of the Corporation; the number of shares of stock of any class of the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; or any other matter relating to the business and affairs of the Corporation or required or permitted by applicable law, the Charter or Bylaws or otherwise to be determined by the Board of Directors.

Section 4.7 *REIT Qualification*. If the Corporation elects to qualify as a REIT for U.S. federal income tax purposes, the Board of Directors shall take such actions as it determines are necessary or appropriate to preserve the status of the Corporation as a REIT; however, if the Board of Directors determines that it is no longer in the best interests of the Corporation to continue to be qualified as a REIT, the Board of Directors may revoke or otherwise terminate the Corporation's REIT election pursuant to Section 856(g) of the Code. The Board of Directors also may determine that compliance with one or more of the restrictions or limitations on stock ownership and transfers set forth in Article VI is no longer required for REIT qualification.

Section 4.8 *Removal of Directors*. Subject to the rights of holders of one or more classes or series of Preferred Stock to elect or remove one or more directors, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. For the purpose of this paragraph, "cause" shall mean, with respect to any particular director, conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to the Corporation through bad faith or active and deliberate dishonesty.

ARTICLE V

STOCK

Section 5.1 *Authorized Shares*. The Corporation has authority to issue [_____] shares of stock, consisting of [_____] shares of Common Stock, $0.01 par value per share ("Common Stock"), and [_____] shares of Preferred Stock, $0.01 par value per share ("Preferred Stock"). The aggregate par value of all authorized shares of stock having par value is $[_____]. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Section 5.2, 5.3 or 5.4 of this Article V, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph. The Board of Directors, with the approval of a majority of the entire Board and without any action by the stockholders of the Corporation, may amend the Charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

Section 5.2 *Common Stock*. Subject to the provisions of Article VI and except as may otherwise be specified in the terms of any class or series of Common Stock, each share of Common Stock shall entitle the holder thereof to one vote. The Board of Directors may reclassify any unissued shares of Common Stock from time to time in one or more classes or series of stock.

Section 5.3 *Preferred Stock*. The Board of Directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any series from time to time, in one or more classes or series of stock.

Section 5.4 *Classified or Reclassified Shares*. Prior to issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the provisions of Article VI and subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, including, without limitation, restrictions on transferability, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of stock set or changed pursuant to clause (c) of this Section 5.4 may be made dependent upon facts or events ascertainable outside the Charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary or other charter document.

Section 5.5 *Charter and Bylaws*. The rights of all stockholders and the terms of all stock are subject to the provisions of the Charter and the Bylaws.

Section 5.6 *Stockholders' Consent in Lieu of Meeting*. Any action required or permitted to be taken at any meeting of stockholders may be taken without a meeting if a unanimous written consent setting forth the action is given in writing or by electronic transmission by each stockholder entitled to vote on the matter and filed with the minutes of proceedings of the stockholders.

ARTICLE VI

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 6.1 *Definitions*. For the purpose of this Article VI, the following terms shall have the following meanings:

Aggregate Stock Ownership Limit. The term "Aggregate Stock Ownership Limit" shall mean not more than **[__]**% in value of the aggregate of the outstanding shares of Capital Stock, subject to adjustment from time to time by the Board of Directors in accordance with Section 6.2.8, excluding any such outstanding Common Stock which is not treated as outstanding for federal income tax purposes. Notwithstanding the foregoing, for purposes of determining the percentage ownership of Capital Stock by any Person, shares of Capital Stock that are treated as Beneficially Owned or Constructively Owned by such Person shall be deemed outstanding. The value of the outstanding shares of Capital Stock shall be determined by the Board of Directors in good faith, which determination shall be conclusive for all purposes hereof.

Beneficial Ownership. The term "Beneficial Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly

or indirectly (including by a nominee), and shall include interests that are actually owned or would be treated as owned through the application of Section 544 of the Code, as modified by Sections 856(h)(1)(B) and 856(h)(3) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

Business Day. The term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

Capital Stock. The term "Capital Stock" shall mean all classes or series of stock of the Corporation, including, without limitation, Common Stock and Preferred Stock.

Charitable Beneficiary. The term "Charitable Beneficiary" shall mean one or more beneficiaries of the Trust as determined pursuant to Section 6.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Common Stock Ownership Limit. The term "Common Stock Ownership Limit" shall mean [__]% (in value or in number of shares, whichever is more restrictive, and subject to adjustment from time to time by the Board of Directors in accordance with Section 6.2.8) of the aggregate of the outstanding shares of Common Stock of the Corporation, excluding any such outstanding Common Stock which is not treated as outstanding for federal income tax purposes. Notwithstanding the foregoing, for purposes of determining the percentage ownership of Common Stock by any Person, shares of Common Stock that are treated as Beneficially Owned or Constructively Owned by such Person shall be deemed to be outstanding. The number and value of shares of outstanding Common Stock of the Corporation shall be determined by the Board of Directors in good faith, which determination shall be conclusive for all purposes hereof.

Constructive Ownership. The term "Constructive Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that are actually owned or would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

Excepted Holder. The term "Excepted Holder" shall mean any stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors pursuant to Section 6.2.7.

Excepted Holder Limit. The term "Excepted Holder Limit" shall mean for each Excepted Holder, the percentage limit established by the Board of Directors for such Excepted Holder pursuant to Section 6.2.7, which limit may be expressed, in the discretion of the Board of Directors, as one or more percentages and/or numbers of shares of Capital Stock, and may apply with respect to one or more classes of Capital Stock or to all classes of Capital Stock in the aggregate, provided that the affected Excepted Holder agrees to comply with the requirements

established by the Board of Directors pursuant to Section 6.2.7 and subject to adjustment pursuant to Section 6.2.8.

Individual. The term "Individual" means an individual, a trust qualified under Section 401(a) or 501(c)(17) of the Code, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, or a private foundation within the meaning of Section 509(a) of the Code, provided that, except as set forth in Section 856(h)(3)(A)(ii) of the Code, a trust described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code shall be excluded from this definition.

Initial Date. The term "Initial Date" shall mean the date of the closing of the issuance of Common Stock pursuant to the initial public offering of the Corporation.

Market Price. The term "Market Price" on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such Capital Stock on such date. The "Closing Price" on any date shall mean the last sale price for such Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Capital Stock, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such Capital Stock is not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Capital Stock is listed or admitted to trading or, if such Capital Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which such Capital Stock is quoted, if such Capital Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Capital Stock selected by the Board of Directors or, in the event that no trading price is available for such Capital Stock, the fair market value of the Capital Stock, as determined in good faith by the Board of Directors.

NYSE. The term "NYSE" shall mean the New York Stock Exchange.

Person. The term "Person" shall mean an Individual, corporation, partnership, limited liability company, estate, trust, association, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

Prohibited Owner. The term "Prohibited Owner" shall mean, with respect to any purported Transfer, any Person who, but for the provisions of Section 6.2.1, would Beneficially Own or Constructively Own shares of Capital Stock, and if appropriate in the context, shall also mean any Person who would have been the record owner of the shares that the Prohibited Owner would have so owned.

Restriction Termination Date. The term "Restriction Termination Date" shall mean the first day after the Initial Date on which the Board of Directors determines pursuant to Section 4.7 of the Charter that it is no longer in the best interests of the Corporation to attempt to, or continue

to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Transfer. The term "Transfer" shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire, or change its level of, Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Capital Stock or the right to vote or receive dividends on Capital Stock, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights convertible into or exchangeable for Capital Stock or any interest in Capital Stock or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial Ownership or Constructive Ownership of Capital Stock; in each case, whether voluntary or involuntary, whether owned of record, Beneficially Owned or Constructively Owned and whether by operation of law or otherwise. The terms "Transferring" and "Transferred" shall have the correlative meanings.

Trust. The term "Trust" shall mean any trust provided for in Section 6.3.1.

Trustee. The term "Trustee" shall mean the Person who is not affiliated with either the Corporation or any Prohibited Owner, which Person is appointed by the Corporation to serve as trustee of the Trust.

Section 6.2 *Capital Stock*.

Section 6.2.1 *Ownership Limitations*. During the period commencing on the Initial Date and prior to the Restriction Termination Date, but subject to Section 6.4:

(a) Basic Restrictions.

(i) (1) No Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Aggregate Stock Ownership Limit, (2) no Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Common Stock in excess of the Common Stock Ownership Limit and (3) no Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that such Beneficial or Constructive Ownership of shares of Capital Stock could result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or otherwise failing to qualify as a REIT (including, but not limited to, Beneficial Ownership or Constructive Ownership that could result in the Corporation Constructively Owning an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by

the Corporation from such tenant, taking into account any other income of the Corporation that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause the Corporation to fail to satisfy any of such gross income requirements).

(iii) Any Transfer of shares of Capital Stock that, if effective, would result in the Capital Stock being beneficially owned by fewer than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void *ab initio*, and the intended transferee shall acquire no rights in such shares of Capital Stock.

Without limitation of the application of any other provision of this Article VI, it is expressly intended that the restrictions on ownership and Transfer described in this Section 6.2.1 of Article VI shall apply to restrict the rights of any members or partners in limited liability companies or partnerships to exchange their interest in such entities for shares of Capital Stock of the Corporation.

(b) *Transfer in Trust*. If any Transfer of shares of Capital Stock (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 6.2.1(a)(i) or (ii):

(i) then that number of shares of the Capital Stock, the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 6.2.1(a)(i) or (ii) (rounded up to the nearest whole share) shall be automatically transferred to a Trust for the benefit of a Charitable Beneficiary, as described in Section 6.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such shares; or

(ii) if the Transfer to the Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 6.2.1(a)(i) or (ii), then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 6.2.1(a)(i) or (ii) shall be void *ab initio*, and the intended transferee shall acquire no rights in such shares of Capital Stock.

In determining which shares of Capital Stock are to be transferred to a Trust in accordance with this Section 6.2.1(b) and Section 6.3 hereof, shares shall be so transferred to a Trust in such manner as minimizes the aggregate value of the shares that are transferred to the Trust (except as provided in Section 6.2.6) and, to the extent not inconsistent therewith, on a pro rata basis. To the extent that, upon a transfer of shares of Capital Stock pursuant to this Section 6.2.1(b), a violation of any provision of Section 6.2.1(a) would nonetheless be continuing (as, for example, where the ownership of shares of Capital Stock by a single Trust would result in the shares of Capital Stock

being Beneficially Owned (determined under the principles of Section 856(a)(5) of the Code) by fewer than 100 Persons), then shares of Capital Stock shall be transferred to that number of Trusts, each having a Trustee and a Charitable Beneficiary or Beneficiaries that are distinct from those of each other Trust, such that there is no violation of any provision of Section 6.2.1(a) hereof.

Section 6.2.2 *Remedies for Breach*. If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 6.2.1 or that a Person intends or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Capital Stock in violation of Section 6.2.1 (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it deems advisable, in its sole and absolute discretion, to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; *provided, however*, that any Transfer or attempted Transfer or other event in violation of Section 6.2.1 shall automatically result in the transfer to the Trust described above, or, where applicable, such Transfer (or other event) shall be void *ab initio* as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

Section 6.2.3 *Notice of Restricted Transfer*. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 6.2.1(a) or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Trust pursuant to the provisions of Section 6.2.1(b) shall immediately give written notice to the Corporation of such event or, in the case of such a proposed or attempted transaction, give at least fifteen (15) days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation's status as a REIT.

Section 6.2.4 *Owners Required To Provide Information*. From the Initial Date and prior to the Restriction Termination Date:

(a) every owner of five percent or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of Capital Stock, within thirty (30) days after the end of each taxable year, shall give written notice to the Corporation stating the name and address of such owner, the number of shares of each class or series of Capital Stock Beneficially Owned and a description of the manner in which such shares are held. Each such owner shall provide promptly to the Corporation in writing such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Aggregate Stock Ownership Limit and the Common Stock Ownership Limit; and

(b) each Person who is a Beneficial Owner or Constructive Owner of shares of Capital Stock and each Person (including the stockholder of record) who is holding shares of Capital Stock for a Beneficial or Constructive Owner shall, on demand, provide to the Corporation in writing such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 6.2.5 *Remedies Not Limited*. Subject to Section 4.7, nothing contained in this Section 6.2 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 6.2.6 *Ambiguity*. In the case of an ambiguity in the application of any of the provisions of this Article VI, including Section 6.2, Section 6.3, or any definition contained in Section 6.1 or any defined term used in this Article VI but defined elsewhere in the Charter, the Board of Directors shall have the power to determine the application of the provisions of this Article VI with respect to any situation based on the facts known to it. In the event Section 6.2 or 6.3 requires an action by the Board of Directors and the Charter fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 6.1, 6.2 or 6.3. Absent a decision to the contrary by the Board of Directors (which the Board of Directors may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in Section 6.2.2) acquired Beneficial or Constructive Ownership of shares of Capital Stock in violation of Section 6.2.1, such remedies (as applicable) shall apply first to the shares of Capital Stock which, but for such remedies, would have been actually owned by such Person, and second to shares of Capital Stock which, but for such remedies, would have been Beneficially Owned or Constructively Owned (but not actually owned) by such Person, pro rata among the Persons who actually own such shares of Capital Stock based upon the relative number of the shares of Capital Stock held by each such Person.

Section 6.2.7 *Exceptions*.

(a) Subject to Section 6.2.1(a)(ii), the Board of Directors of the Corporation, in its sole and absolute discretion, may exempt (prospectively or retroactively) a Person from the Aggregate Stock Ownership Limit or the Common Stock Ownership Limit, as the case may be, or may establish or increase an Excepted Holder Limit for such Person if:

(i) the Board of Directors determines, based on such representations and undertakings from such Person to the extent required by the Board of Directors and as are reasonably necessary to ascertain, that such exemption will not cause any Individual's Beneficial Ownership of shares of Capital Stock to violate the Aggregate Stock Ownership Limit; and

(ii) the Board of Directors determines that such Person does not and will not Constructively Own an interest in a tenant of the Corporation (or a tenant of any entity directly or indirectly owned, in whole or in part, by the Corporation) that would cause the Corporation to Constructively Own more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant, and the Board of Directors obtains such representations and undertakings from such Person to the extent required by the Board of Directors as are reasonably necessary to ascertain this fact (for this purpose, in the Board of Director's sole and absolute discretion, a tenant from whom the Corporation (or an entity directly or indirectly owned, in whole or in part, by the Corporation) derives (and is expected to continue to derive) a sufficiently small amount of revenue such that, in the opinion of the Board of Directors, rent from such tenant would not adversely affect the Corporation's ability to qualify as a REIT shall not be treated as a tenant of the Corporation).

(b) Prior to granting any exception pursuant to Section 6.2.7(a), the Board of Directors may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole and absolute discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Directors may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) Subject to Section 6.2.1(a)(ii), an underwriter which participates in a public offering or a private placement of Capital Stock (or securities convertible into or exchangeable for Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for Capital Stock) in excess of the Common Stock Ownership Limit, the Aggregate Stock Ownership Limit, or both such limits, but only to the extent necessary to facilitate such public offering or private placement.

(d) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Stock Ownership Limit or the Aggregate Stock Ownership Limit, as applicable.

Section 6.2.8 *Increase or Decrease in Aggregate Stock Ownership and Common Stock Ownership Limits*. Subject to Section 6.2.1(a)(ii) and the rest of this Section 6.2.8, the Board of Directors may, in its sole and absolute discretion, from time to time increase or decrease the Common Stock Ownership Limit and/or the Aggregate Stock Ownership Limit for one or more Persons; provided, however, that a decreased Common Stock

Ownership Limit and/or Aggregate Stock Ownership Limit will not be effective for any Person who Beneficially Owns or Constructively Owns, as applicable, shares of Capital Stock in excess of such decreased Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit at the time such limit is decreased, until such time as such Person's Beneficial Ownership or Constructive Ownership of shares of Capital Stock, as applicable, equals or falls below the decreased Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit, but any further acquisition of shares of Capital Stock or increased Beneficial Ownership or Constructive Ownership of shares of Capital Stock will be in violation of the Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit and, provided further, that the new Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit would not allow five or fewer Persons to Beneficially Own more than 49% in value of the outstanding Capital Stock.

Section 6.2.9 *Legend*. Each certificate representing shares of Capital Stock, if any, shall bear substantially the following legend:

The shares represented by this certificate are subject to restrictions on Beneficial and Constructive Ownership and Transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Corporation's Charter, (i) no Person may Beneficially Own or Constructively Own shares of the Corporation's Common Stock in excess of **[__]**% (in value or number of shares) of the outstanding shares of Common Stock of the Corporation unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) no Person may Beneficially Own or Constructively Own shares of Capital Stock of the Corporation in excess of [__]% of the value of the total outstanding shares of Capital Stock of the Corporation, unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially Own or Constructively Own Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code or otherwise cause the Corporation to fail to qualify as a REIT; and (iv) no Person may Transfer shares of Capital Stock if such Transfer would result in the Capital Stock of the Corporation being owned by fewer than 100 Persons. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own shares of Capital Stock which causes or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. If any of the restrictions on transfer or ownership set forth in (i) through (iii) above are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries. In addition, the Corporation may take other actions, including redeeming shares upon the terms and conditions specified by the Board of Directors in its sole and absolute discretion if

the Board of Directors determines that ownership or a Transfer or other event may violate the restrictions described above. Furthermore, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void *ab initio*. All capitalized terms in this legend have the meanings defined in the Charter of the Corporation, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Capital Stock of the Corporation on request and without charge. Requests for such a copy may be directed to the Secretary of the Corporation at its Principal Office.

Instead of the foregoing legend, a certificate may state that the Corporation will furnish a full statement about certain restrictions on ownership and transfer of the shares to a stockholder on request and without charge.

Section 6.3 *Transfer of Capital Stock in Trust*.

Section 6.3.1 *Ownership in Trust*. Upon any purported Transfer or other event described in Section 6.2.1(b) that would result in a transfer of shares of Capital Stock to a Trust, such shares of Capital Stock shall be deemed to have been transferred to the Trustee as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Trust pursuant to Section 6.2.1(b). The Trustee shall be appointed by the Corporation and shall be a Person who is not affiliated with either the Corporation or any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 6.3.6.

Section 6.3.2 *Status of Shares Held by the Trustee*. Shares of Capital Stock held by the Trustee shall be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Trust. The Prohibited Owner shall have no claim, cause of action, or any other recourse whatsoever against the purported transferor of such Capital Stock.

Section 6.3.3 *Dividend and Voting Rights*. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee shall be paid by the recipient of such dividend or other distribution to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Trust and, subject to Maryland law, effective as of the date that the shares of Capital Stock have been transferred to the Trustee, the Trustee shall have the

authority (at the Trustee's sole and absolute discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VI, until the Corporation has received notification that shares of Capital Stock have been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

Section 6.3.4 *Sale of Shares by Trustee*. Within twenty (20) days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares held in the Trust to a Person or Persons, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 6.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 6.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the Trust. The Trustee shall reduce the amount payable to the Prohibited Owner by the amount of dividends and other distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 6.3.3 of this Article VI. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 6.3.4, such excess shall be paid to the Trustee upon demand.

Section 6.3.5 *Purchase Right in Capital Stock Transferred to the Trustee*. Shares of Capital Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise, gift or other transaction, the Market Price at the time of such devise, gift or other transaction) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 6.3.3 of this Article VI. The Corporation shall pay the amount of such reduction

to the Trustee for the benefit of the Charitable Beneficiary. The Corporation shall have the right to accept such offer until the Trustee has sold the shares held in the Trust pursuant to Section 6.3.4. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 6.3.6 *Designation of Charitable Beneficiaries*. By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that the shares of Capital Stock held in the Trust would not violate the restrictions set forth in Section 6.2.1(a) in the hands of such Charitable Beneficiary. Neither the failure of the Corporation to make such designation nor the failure of the Corporation to appoint the Trustee before the automatic transfer provided for in Section 6.2.1(b)(i) shall make such transfer ineffective, provided that the Corporation thereafter makes such designation and appointment.

Section 6.4 *NYSE Transactions*. Nothing in this Article VI shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VI and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VI.

Section 6.5 *Enforcement*. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VI.

Section 6.6 *Non-Waiver*. No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

Section 6.7 *Severability*. If any provision of this Article VI or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

ARTICLE VII

AMENDMENTS

The Corporation reserves the right from time to time to make any amendment to its Charter now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Charter, of any shares of outstanding stock. All rights and powers conferred by the Charter on stockholders, directors and officers are granted subject to this reservation. Except as set forth in the next sentence of the Charter, and except for those amendments permitted to be made without stockholder approval under Maryland law or by specific provision in the Charter, any amendment to the Charter shall be valid only if declared

advisable by the Board of Directors and approved by the affirmative vote of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter. However, any amendment to Section 4.8, Section 5.6 or to this sentence of the Charter shall be valid only if declared advisable by the Board of Directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of all the votes entitled to be cast on the matter.

ARTICLE VIII

LIMITATION OF LIABILITY

To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers of a corporation, no present or former director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article VIII, nor the adoption or amendment of any other provision of the Charter or Bylaws inconsistent with this Article VIII, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

THIRD: The amendment to and restatement of the Charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article III of the foregoing amendment and restatement of the Charter.

FIFTH: The name and address of the Corporation's current resident agent is as set forth in Article III of the foregoing amendment and restatement of the Charter.

SIXTH: The number of directors of the Corporation and the names of those currently in office are as set forth in Article IV of the foregoing amendment and restatement of the Charter.

SEVENTH: The total number of shares of stock which the Corporation had authority to issue immediately prior to this amendment and restatement was [_____] shares, $0.01 par value per share of common stock. The aggregate par value of all shares of stock having par value was $[_____].

EIGHTH: The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the Charter is [_____], consisting of [_____] shares of Common Stock, $0.01 par value per share, and [_____] shares of Preferred Stock, $0.01 par value per share. The aggregate par value of all authorized shares of stock having par value is $[_____].

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

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its Chief Executive Officer and attested to by its Secretary as of the ____ day of _____, 2010.

ATTEST:

_____
Name: Adam Wyll
Title: Secretary

AMERICAN ASSETS TRUST, INC.:

By: _____
Name: John Chamberlain
Title: Chief Executive Officer

Exhibit C

Form of Registration Rights Agreement

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [_____], 2010 by and among American Assets Trust, Inc., a Maryland corporation (the "Company"), and the holders listed on Schedule I hereto (each an "Initial Holder" and, collectively, the "Initial Holders").

RECITALS

WHEREAS, in connection with the initial public offering (the "IPO") of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), the Company and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), have concurrently engaged in certain formation transactions (the "Formation Transactions"), pursuant to which the Initial Holders have concurrently received, in exchange for their (or certain related parties') respective interests in the entities participating in the Formation Transactions or in exchange for services rendered, (i) common units of limited partnership interest in the Operating Partnership ("Common OP Units") and/or (iii) shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions contained in the Operating Partnership Agreement (as defined below), Common OP Units will be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock;

WHEREAS, as a condition to receiving the consent of the Initial Holders to the Formation Transactions, the Company has agreed to grant the Initial Holders and their permitted assignees and transferees the registration rights set forth in Article II hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the definitions set forth above, the following terms, as used herein, have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Registration Rights Agreement, as it may be amended, supplemented or restated from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, New York or San Diego, California are authorized by law to close.

"Charter" means the Articles of Amendment and Restatement of the Company as filed with the Secretary of State of the State of Maryland on [_____], 2010, as the same may be amended, modified or restated from time to time.

"Commission" means the Securities and Exchange Commission.

"Company Piggy-Back Registration" has the meaning set forth in Section 2.1(a).

"Effectiveness Period" has the meaning set forth in Section 2.4(b).

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

"Exchangeable Common OP Units" means Common OP Units which may be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock pursuant to the Operating Partnership Agreement (without regard to any limitations on the exercise of such exchange right as a result of the Ownership Limit Provisions).

"Holder" means (i) any Initial Holder who is the record or beneficial owner of any Registrable Security or (ii) any assignee or transferee of such Initial Holder (including assignments or transfers of Registrable Securities to such assignees or transferees as a result of the foreclosure on any loans secured by such Registrable Securities) (x) to the extent permitted under the Operating Partnership Agreement or the Charter, as applicable, and (y) provided such assignee or transferee agrees in writing to be bound by all the provisions hereof.

"Indemnified Party" has the meaning set forth in Section 2.10.

"Indemnifying Party" has the meaning set forth in Section 2.10.

"Initial Period" means a period commencing on the date hereof and ending 365 days following the effective date of the first Resale Shelf Registration Statement (except that, if the shares of Common Stock issuable upon exchange of Exchangeable Common OP Units received in the Formation Transactions are not included in that Resale Shelf Registration Statement as a result of Section 2.4(b), the 365 days shall not begin until the later of the effective date of (i) the first Resale Shelf Registration Statement and (ii) the first Issuer Shelf Registration Statement).

"Issuer Shelf Registration Statement" has the meaning set forth in Section 2.4(b).

"Market Value" means, with respect to the Common Stock, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date of a written request for registration pursuant to Section 2.1(a). The market price for each such

trading day shall be: (i) if the Common Stock is listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, in either case as reported in the principal consolidated transaction reporting system, (ii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the Company, or (iii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Market Value of the Common Stock shall be determined by the Board of Directors of the Company acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"Notice and Questionnaire" means a written notice, substantially in the form attached as Exhibit A , delivered by a Holder to the Company (i) notifying the Company of such Holder's desire to include Registrable Securities held by it in a Resale Shelf Registration Statement, (ii) containing all information about such Holder required to be included in such registration statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto, and (iii) pursuant to which such Holder agrees to be bound by the terms and conditions hereof.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of [_____], 2010, as the same may be amended, modified or restated from time to time.

"Ownership Limit Provisions" mean the various provisions of the Company's Charter set forth in Article [____] thereof restricting the ownership of Common Stock by Persons to specified percentages of the outstanding Common Stock.

"Person" means an individual or a corporation, partnership, limited liability company, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Rady Demand Registration" has the meaning set forth in Section 2.1(a).

"Rady Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Rady Holder" means a Holder that is Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or

the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns.

"Rady Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Registrable Securities" means with respect to any Holder, shares of Common Stock owned, either of record or beneficially, by such Holder that were (a) received by such Holder or an Initial Holder in the Formation Transactions, (b) acquired by such Holder or an Initial Holder directly from the Underwriters or the Company in the IPO, in each case in a transaction disclosed in the registration statement relating to the IPO, (c) issued or issuable upon exchange of Exchangeable Common OP Units received by such Holder or an Initial Holder in the Formation Transactions, (d) solely in the case of any Rady Holder, any Common Stock acquired by such Rady Holder in the open market after the date hereof and prior to the first (1st) anniversary of the date hereof, and, (e) in the case of (a), (b), (c) and (d), any additional shares of Common Stock issued as a dividend or distribution on, in exchange for, or otherwise in respect of, such shares (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or otherwise).

As to any particular Registrable Securities, they shall cease to be Registrable Securities at the earliest time as one of the following shall have occurred: (i) a registration statement (including a Resale Shelf Registration Statement) covering such shares has been declared effective by the Commission and all such shares have been disposed of pursuant to such effective registration statement or unless such shares (other than Restricted Shares) were issued pursuant to an effective registration statement (including an Issuer Shelf Registration Statement), (ii) such shares have been publicly sold under Rule 144, (iii) all such shares may be sold in one transaction pursuant to Rule 144 or (iv) such shares have been otherwise transferred in a transaction that constitutes a sale thereof under the Securities Act, the Company has delivered to the Holder's transferee a new certificate or other evidence of ownership for such shares not bearing the Securities Act restricted stock legend and such shares subsequently may be resold or otherwise transferred by such transferee without registration under the Securities Act.

"Registration Expenses" shall have the meaning set forth in Section 2.2.

"Resale Shelf Registration" shall have the meaning set forth in Section 2.4(a).

"Resale Shelf Registration Statement" shall have the meaning set forth in Section 2.4(a).

"Restricted Shares" means shares of Common Stock issued under an Issuer Shelf Registration Statement which if sold by the holder thereof would constitute "restricted securities" as defined under Rule 144.

"Rule 144" means Rule 144 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Rule 415" means Rule 415 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Securities Act" means the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act pursuant to the terms hereof.

"Shelf Registration Statement" means a Resale Shelf Registration Statement and/or an Issuer Shelf Registration Statement.

"Suspension Notice" means any written notice delivered by the Company pursuant to Section 2.14 with respect to the suspension of rights under a Resale Shelf Registration Statement or any prospectus contained therein.

"Underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

ARTICLE II
REGISTRATION RIGHTS

Section 2.1. Underwritten Demand Registration.

(a) Commencing on or after the date that is three hundred sixty five (365) days after the consummation date of the IPO and until such time as a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) has been declared effective, or if at any time on or after the date that is sixteen (16) months after the consummation date of the IPO, a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) shall not be effective, the majority in interest of the Rady Holder(s) may make written requests to the Company for one or more registrations of underwritten offerings under the Securities Act of all or part of their Common Stock constituting Registrable Securities (a "Rady Demand Registration"). The Company shall prepare and file a registration statement on an appropriate form with respect to any Rady Demand Registration (the "Rady Demand Registration Statement") and shall use its reasonable efforts to cause the Rady Demand Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof. Any request for a Rady Demand Registration will specify the number of shares of Registrable Securities proposed to be sold in the underwritten offering. The Company shall have the opportunity to register such number of shares of Common Stock as it may elect on the Rady Demand Registration Statement and as part of the same underwritten offering in connection with a Rady Demand Registration (a "Company Piggy-Back Registration"). Unless a majority in interest of the Rady Holders participating in such Rady Demand Registration shall consent in writing, no party, other than the Company, shall be permitted to offer securities in connection with any such Rady Demand Registration.

(b) Underwriters. The Company shall select the book-running managing Underwriter in connection with any Rady Demand Registration; provided that such managing Underwriter must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration. The Company may select any additional investment banks and managers to be used in connection with the offering; provided that such additional investment bankers and managers must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration.

Section 2.2. Piggy-Back Registration. If the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock by the Company for its own account (other than (i) any registration statement filed in connection with a demand registration by a party other than a Rady Holder or (ii) a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission) or filed in connection with an exchange offer or offering of securities solely to the Company's existing securityholders), then the Company shall give written notice of such proposed filing to the Rady Holders as soon as practicable (but in no event less than ten (10) days before the anticipated filing date), and such notice shall offer such Rady Holders the opportunity to register such number of shares of Registrable Securities as each such Rady Holder may request (a "Rady Piggy-Back Registration"); provided, that if and so long as a Shelf Registration Statement is on file and effective, then the Company shall have no obligation to effect a Rady Piggy-Back Registration. The Company shall use its commercially reasonable efforts to cause the managing Underwriter(s)of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Rady Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company included therein.

Section 2.3. Reduction of Offering. Notwithstanding anything contained in Sections 2.1 and 2.2, if the managing Underwriter(s) of an offering described in Section 2.1 or 2.2 advise in writing the Company and the Rady Holders that the size of the intended offering is such that the success of the offering would be significantly and adversely affected by inclusion of (i) the Registrable Securities requested to be included by the Rady Holders in a Rady Piggy-Back Registration or (ii) the Common Stock requested to be included by the Company in a Rady Demand Registration/Company Piggy-Back Registration, then: (x) in the case of a Rady Demand Registration/ Company Piggy-Back Registration, the amount of the Common Stock to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering; and (y) in the case of a Rady Piggy-Back Registration, the amount of securities to be offered for the accounts of Rady Holders shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Rady Holders shall not be reduced to less than thirty percent (30%) of the total number of securities to be included in such offering.

Section 2.4. Shelf Registration.

(a) Subject to Section 2.14, the Company shall prepare and file not later than fourteen (14) months after the consummation date of the IPO, a "shelf" registration statement with respect to the resale of the Registrable Securities ("Resale Shelf Registration") by the Holders thereof on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration Statement") and permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Resale Shelf Registration Statement. The Company shall use its reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof, and, subject to Sections 2.4(d) and 2.14, to keep such Resale Shelf Registration Statement continuously effective for a period ending when all shares of Common Stock covered by the Resale Shelf Registration Statement are no longer Registrable Securities.

At the time the Resale Shelf Registration Statement is declared effective, each Holder that has delivered a duly completed and executed Notice and Questionnaire to the Company on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of Registrable Securities in accordance with applicable law. If required by applicable law, subject to the terms and conditions hereof, after effectiveness of the Resale Shelf Registration Statement, the Company shall file a supplement to such prospectus or amendment to the Resale Shelf Registration Statement not less than once a quarter as necessary to name as selling securityholders therein any Holders that provide to the Company a duly completed and executed Notice and Questionnaire and shall use reasonable efforts to cause any post-effective amendment to such Resale Shelf Registration Statement filed for such purpose to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof.

(b) The Company may, at its option, satisfy its obligation to prepare and file a Resale Shelf Registration Statement pursuant to Section 2.4(a) with respect to shares of Common Stock issuable upon exchange of Exchangeable Common OP Units by preparing and filing with the Commission not later than fourteen (14) months after the consummation date of the IPO a registration statement on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (an "Issuer Shelf Registration Statement") providing for (i) the issuance by the Company, from time to time, to the Holders of such Exchangeable Common OP Units, of shares of Common Stock registered under the Securities Act (the "Primary Shares") and (ii) to the extent such Primary Shares constitute Restricted Shares, the registered resale thereof by their Holders from time to time in accordance with the methods of distribution elected by the Holders and set forth therein (but except as provided in Section 2.4(c) below, not an underwritten offering). The Company shall use its reasonable efforts to cause the Issuer Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after filing thereof and, subject to Sections 2.4(d) and 2.14, to keep the Issuer Shelf Registration Statement continuously effective for a period (the "Effectiveness Period") expiring on the date all of the shares of Common Stock covered by such Issuer Shelf Registration Statement have been issued by the Company pursuant thereto or are no longer Registrable Securities. If the Company shall exercise its rights under this Section 2.4(b), Holders (other than Holders of Restricted Shares) shall have

no right to have shares of Common Stock issued or issuable upon exchange of Exchangeable Common OP Units included in a Resale Shelf Registration Statement pursuant to Section 2.4(a).

(c) Underwritten Registered Resales. Any offering under a Resale Shelf Registration Statement or by Holders under an Issuer Shelf Registration Statement shall be underwritten at the written request of Holders of Registrable Securities under such registration statement that hold in the aggregate at least ten percent 10% of the Registrable Securities originally issued in the Formation Transactions (provided, that the Registrable Securities requested to be registered in such underwritten offering shall either (i) have a Market Value of at least $25,000,000 on the date of such request or (ii) shall represent all remaining Registrable Securities held by all Rady Holders and shall have a Market Value of at least $10,000,000 on the date of such request; provided, further, that the Company shall not be obligated to effect more than three (3) underwritten offerings under this Section 2.4(c); and provided, further, that the Company shall not be obligated to effect, or take any action to effect, an underwritten offering (i) within 120 days following the last date on which an underwritten offering was effected pursuant to this Section 2.4(c) or Section 2.1(a) or during any lock-up period required by the Underwriters in any prior underwritten offering conducted by the Company on its own behalf or on behalf of selling stockholders, or (ii) during the period commencing with the date thirty (30) days prior to the Company's good faith estimate of the date of filing of (provided the Company is actively employed in good faith commercially reasonable efforts to file such registration statement), and ending on a date ninety (90) days after the effective date of, a registration statement with respect to an offering by the Company. Any request for an underwritten offering hereunder shall be made to the Company in accordance with the notice provisions of this Agreement.

(d) Subsequent Filing. The Company shall prepare and file such additional registration statements as necessary every three (3) years and use its reasonable efforts to cause such registration statements to be declared effective by the Commission so that a Shelf Registration Statement remains continuously effective, subject to Section 2.14, with respect to resales of Registrable Securities as and for the periods required under Section 2.4(a) or (b), as applicable (such subsequent registration statements to constitute a Resale Shelf Registration Statement or an Issuer Shelf Registration Statement, as the case may be, hereunder).

(e) Selling Holders Become Party to Agreement. Each Holder acknowledges that by participating in its registration rights pursuant to this Agreement, such Holder will be deemed a party to this Agreement and will be bound by its terms, notwithstanding such Holder's failure to deliver a Notice and Questionnaire; provided, that any Holder that has not delivered a duly completed and executed Notice and Questionnaire shall not be entitled to be named as a Selling Holder in, or have the Registrable Securities held by it covered by, a Shelf Registration Statement.

Section 2.5. Reduction of Offering. Notwithstanding anything contained herein, if the managing Underwriter(s) of an offering described in Section 2.4(c) advise in writing the Company and the Holder(s) of the Registrable Securities included in such offering that the size of the intended offering is such that the success of the offering would be significantly adversely

affected by inclusion of all the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders shall be reduced pro rata (according to the Registrable Securities requested for inclusion) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s) but in priority to any securities proposed to be sold by any other holders of securities of the Company with registration rights to participate therein. The Company shall have the opportunity to include such number of securities as it may elect in an offering described in Section 2.4(c); provided, if the managing Underwriter(s) of such offering advise in writing the Company and the Holder(s) of the Registrable Securities requested to be included that the success of the offering would be significantly adversely affected by inclusion of all the securities requested to be included by the Company, then the amount of securities to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s); provided, further, the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering.

Section 2.6. Registration Procedures; Filings; Information. Subject to Section 2.14 hereof, in connection with any Resale Shelf Registration Statement under Section 2.4(a), the Company will use its reasonable efforts to effect the registration of the Registrable Securities covered thereby in accordance with the intended method of disposition thereof as quickly as practicable, and, in connection with any Issuer Shelf Registration Statement under Section 2.4(b), the Company will use its reasonable efforts to effect the registration of the Primary Shares (including for resale, to the extent provided in clause (ii) of Section 2.4(b)) as quickly as reasonably practicable. In connection with any Shelf Registration Statement:

(a) The Company will no later than two (2) Business Days prior to filing a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) or prospectus or any amendment or supplement thereto, furnish to each Selling Holder and each Underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter furnish to such Selling Holder and Underwriter, if any, such number of conformed copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder or Underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder.

(b) After the filing of a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(c) The Company will use its reasonable efforts to (i) register or qualify the Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States (where an exemption does not apply) as any Selling Holder or managing Underwriter(s), if any, reasonably (in light of such Selling Holder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition of the Registrable Securities owned by such Selling Holder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (c), (B) subject itself to general taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction. The Company will promptly notify each Selling Holder of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company will immediately notify each Selling Holder of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the Company's receipt of any notification of the suspension of the qualification of any Registrable Securities covered by a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) for sale in any jurisdiction; or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and promptly make available to each Selling Holder any such supplement or amendment.

(e) The Company will otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder (or any successor rule or regulation hereafter adopted by the Commission).

(f) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will enter into and perform its obligations under customary agreements (including an underwriting agreement, if any, in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities (including, to the extent reasonably requested by the lead or managing Underwriters, sending appropriate officers of the Company to attend "road shows" scheduled in reasonable number and at reasonable times in connection

with any such underwritten offering, and obtaining customary comfort letters and legal opinions) subject to such underwritten offering.

(g) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement, the Company will make available for inspection by any Selling Holder of Registrable Securities subject to such underwritten offering, any Underwriter participating in any disposition of such Registrable Securities and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter, all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any inspectors in connection with such registration statement, subject to entry by each such Person of a customary confidentiality agreement in a form reasonably acceptable to the Company.

(h) The Company will use its reasonable efforts to cause all Registrable Securities covered by such Resale Shelf Registration Statement or Primary Shares covered by such Issuer Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(i) In addition to the Notice and Questionnaire, the Company may require each Selling Holder of Registrable Securities to promptly furnish in writing to the Company such information regarding such Selling Holder, the Registrable Securities held by it and the intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration. No Holder may include Registrable Securities in any registration statement pursuant to this Agreement unless and until such Holder has furnished to the Company such information. Each Holder further agrees to furnish as soon as reasonably practicable to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

(j) Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(b) or 2.6(d) or upon receipt of a Suspension Notice, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of written notice from the Company that such disposition may be made and, in the case of clause (ii) of Section 2.6(d) or, if applicable, Section 2.14, copies of any supplemented or amended prospectus contemplated by clause (ii) of Section 2.6(d) or, if applicable, prepared under Section 2.14, and, if so directed by the Company, such Selling Holder will deliver to the Company all copies, other than permanent file copies then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Each Selling Holder of Registrable Securities agrees that it will immediately notify the Company at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act of the happening of an event as a result of which information previously furnished by such Selling Holder to the Company in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact

required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.

Section 2.7. Registration Expenses. In connection with any registration statement required to be filed hereunder, the Company shall pay the following registration expenses incurred in connection with the registration hereunder (the "Registration Expenses"), regardless whether such registration statement is declared effective by the Commission: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, including in connection with the preparation of comfort letters, and any transfer agent and registrar fees, and (vii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or any transfer taxes relating to the registration or sale of the Registrable Securities.

Section 2.8. Indemnification by the Company. The Company agrees to indemnify and hold harmless each Selling Holder of Registrable Securities, its officers, directors, agents, partners, members, employees, managers, advisors, sub-advisors, attorneys, representatives and Affiliates, and each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against, as incurred, any and all losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, prospectus, or free writing prospectus relating to the Registrable Securities (in each case, as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or that arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission included in reliance upon and in conformity with information furnished in writing to the Company by such Selling Holder or on such Selling Holder's behalf expressly for inclusion therein.

Section 2.9. Indemnification by Holders of Registrable Securities. Each Selling Holder agrees, severally but not jointly or jointly and severally, to indemnify and hold harmless the Company, its officers, directors, agents, employees, attorneys, representatives and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Selling Holder, but only with respect to information relating to such Selling Holder included in reliance upon and in conformity with information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration

statement, preliminary prospectus, prospectus or free writing prospectus relating to the Registrable Securities, or any amendment or supplement thereto. In case any action or proceeding shall be brought against the Company or its officers, directors or agents or any such controlling person, in respect of which indemnity may be sought against such Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its officers, directors or agents or such controlling person shall have the rights and duties given to such Selling Holder, by Section 2.10; provided, however, that the total obligations of such Selling Holder under this Agreement (including, but not limited to, obligations arising under Section 2.11 herein) will be limited to an amount equal to the net proceeds actually received by such Selling Holder (after deducting any discounts and commissions) from the disposition of Registrable Securities pursuant to such registration statement.

Section 2.10. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 2.8 or 2.9, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (an "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided, however, that the failure of any Indemnified Party to give such notice will not relieve such Indemnifying Party of any obligations under Section 2.8 or 2.9, except to the extent such Indemnifying Party is materially prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) representation of the Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and the Indemnified Party. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by (i) in the case of Persons indemnified pursuant to Section 2.8 hereof, the Selling Holders which owned a majority of the Registrable Securities sold under the applicable registration statement and (ii) in the case of Persons indemnified pursuant to Section 2.9, the Company. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding without any admission of liability by such Indemnified Party.

Section 2.11. Contribution. If the indemnification provided for in Section 2.8 or 2.9 hereof is held by a court of competent jurisdiction to be unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities that otherwise would have been covered by Section 2.8 or 2.9 hereof, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of each Selling Holder, on the other hand, in connection with such statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party.

The Company and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 2.11 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.11, no Selling Holder shall be required to contribute any amount which in the aggregate exceeds the amount by which the net proceeds actually received by such Selling Holder from the sale of its securities to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Holder's obligations to contribute pursuant to this Section 2.11, if any, are several in proportion to the proceeds of the offering actually received by such Selling Holder bears to the total proceeds of the offering received by all the Selling Holders and not joint.

Section 2.12. Rule 144. The Company covenants that it will (a) make and keep public information regarding the Company available as those terms are defined in Rule 144, (b) file in a timely manner any reports and documents required to be filed by it under the Securities Act and the Exchange Act, (c) furnish to any Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time more than ninety (90) days after the effective date of the registration statement for the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), and (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 2.13. Participation in Underwritten Offerings. No Person may participate in any underwritten offerings hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights provided for in this Article II.

Section 2.14. Suspension of Use of Registration Statement.

(a) If the Board of Directors of the Company determines in its good faith judgment that the filing of a Rady Demand Registration Statement or Resale Shelf Registration Statement under Section 2.1(a) or Section 2.4(a) or the use of any related prospectus would be materially detrimental to the Company because such action would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential or the disclosure of which would materially impede the Company's ability to consummate a significant transaction, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, upon written notice of such determination by the Company to the Holders which shall be signed by the Chief Executive Officer, President or any Executive Vice President of the Company certifying thereto, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Resale Shelf Registration or to require the Company to take action with respect to the registration or sale of any Registrable Securities pursuant to a Resale Shelf Registration Statement shall be suspended until the earliest of (i) the date upon which the Company notifies the Holders in writing that suspension of such rights for the grounds set forth in this Section 2.14(a) is no longer necessary and they may resume use of the applicable prospectus, (ii) the date upon which copies of the applicable supplemented or amended prospectus is distributed to the Holders, and (iii) (x) up to thirty (30) consecutive days after the notice to the Holders if that notice is given during the Initial Period or (y) ninety (90) consecutive days after the notice to the Holders if that notice is given after the Initial Period; provided, that the Company shall not be entitled to exercise any such right more than two (2) times in any twelve (12) month period or less than thirty (30) days from the termination of the prior such suspension period; and provided further, that such exercise shall not prevent the Holders from being entitled to at least three hundred twenty (320) days of effective registration with respect to such registration statement during each Initial Period and thereafter two hundred ten (210) days of effective registration with respect to such registration statement in any 365-day period. The Company agrees to give the notice under (i) above as promptly as practicable following the date that such suspension of rights is no longer necessary.

(b) If all reports required to be filed by the Company pursuant to the Exchange Act have not been filed by the required date without regard to any extension, or if the consummation of any business combination by the Company has occurred or is probable for purposes of Rule 3-05 or Article 11 of Regulation S-X promulgated under the Securities Act or any similar successor rule, upon written notice thereof by the Company to the Holders, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement or to require the Company to take action with respect to the registration or sale of any Registrable Securities

pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement shall be suspended until the date on which the Company has filed such reports or obtained and filed the financial information required by Rule 3-05 or Article 11 of Regulation S-X to be included or incorporated by reference, as applicable, in a Rady Demand Registration Statement or Resale Shelf Registration Statement, and the Company shall use commercially reasonable efforts to file the required reports or obtain and file the financial information required to be included or incorporated by reference, as applicable, as promptly as commercially practicable, and shall notify the Holders as promptly as practicable when such suspension is no longer required.

Section 2.15. Additional Shares. The Company, at its option, may register under a Shelf Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued shares of Common Stock or any shares of Common Stock owned by any other stockholder or stockholders of the Company; provided that in no event shall the inclusion of such shares on a registration statement reduce the amount offered for the account of the Holders in any underwritten offering at the request of the Holders pursuant to Section 2.1(a) or Section 2.4(c).

ARTICLE III
MISCELLANEOUS

Section 3.1. Remedies. In addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, the Holders shall be entitled to specific performance of the rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

Section 3.2. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, in each case without the written consent of the Company and the Holders against whom enforcement is sought. No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.3. Notices. All notices and other communications in connection with this Agreement shall be made in writing by hand delivery, registered first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to any Holder, initially to the address indicated in such Holder's Notice and Questionnaire or, if no Notice and Questionnaire has been delivered, c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address and to such other Persons as any Holder may hereafter specify in writing; and

(2) if to the Company, initially at 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address as the Company may hereafter specify in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when received if deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 3.4. Successors and Assigns; Assignment of Registration Rights. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties. Any Holder may assign its rights under this Agreement without the consent of the Company in connection with a transfer of such Holder's Registrable Securities; provided, that the Holder notifies the Company of such proposed transfer and assignment and the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement.

Section 3.5. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 3.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 3.8. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.10. Termination. The obligations of the parties hereunder shall terminate with respect to a Holder when it no longer holds Registrable Securities and with respect to the Company upon the end of the Effectiveness Period with respect to any Issuer Shelf Registration Statement and with respect to a Resale Shelf Registration Statement when there are no longer Registrable Securities with respect to such Resale Shelf Registration Statement, except, in each case, for any obligations under Sections 2.4(d), 2.7, 2.8, 2.9, 2.10, 2.11 and Article III.

Section 3.11. Waiver of Jury Trial. The parties hereto (including any Initial Holder and any subsequent Holder) irrevocably waive any right to trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

HOLDERS LISTED ON SCHEDULE I HERETO

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

As Attorney-in-Fact acting on behalf of each of the Holders named on Schedule I hereto

Schedule I

See Attached.

Exhibit A

Form of Notice and Questionnaire

The undersigned beneficial holder of shares of common stock, par value $.01 per share ("Common Stock"), of American Assets Trust, Inc. (the "Company") and/or units of limited partnership interests ("OP Units" and, together with the Common Stock, the "Registrable Securities") of American Assets Trust, L.P. (the "Operating Partnership"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "SEC") one or more registration statements (collectively, the "Resale Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement"), dated [_____], 2010, among the Company and the holders listed on Schedule I thereto. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Resale Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling security holder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). **To be included in the Resale Shelf Registration Statement, this Notice and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein on or prior to the tenth business day before the effectiveness of the Resale Shelf Registration Statement.** We will give notice of the filing and effectiveness of the initial Resale Shelf Registration Statement by issuing a press release and by mailing a notice to the holders at their addresses set forth in the register of the registrar.

Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling security holders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Resale Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the initial Resale Shelf Registration Statement so that such beneficial owners may be named as selling security holders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the initial Resale Shelf Registration Statement, in accordance with the Registration Rights Agreement, the Company will file such amendments to the initial Resale Shelf Registration Statement or additional shelf registration statements or supplements to the related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities.

Certain legal consequences arise from being named as selling security holders in the Resale Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling security holder in the Resale Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Security Holder") of Registrable Securities hereby elects to include in the prospectus forming a part of the Resale Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Resale Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Company and represents and warrants to the Company that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Security Holder:

_____

(b) Full Legal Name of registered holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

_____

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

_____

(d) List below the individual or individuals who exercise voting and/or dispositive powers with respect to the Registrable Securities listed in Item (3) below:

_____

2. Address for Notices to Selling Security Holder:

Telephone: _____

Fax: _____

E-mail address: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

Type of Registrable Securities beneficially owned, and number of shares of Common Stock and/or Common OP Units, as the case may be, beneficially owned:

_____

4. Beneficial Ownership of Securities of the Company Owned by the Selling Security Holder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Registrable Securities listed above in Item (3).

Type and amount of other securities beneficially owned by the Selling Security Holder:

_____

5. Relationship with the Company

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

_____

_____

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Resale Shelf Registration Statement only as follows and will not be offering any of such Registrable Securities pursuant to an agreement, arrangement or understanding entered into with a

broker or dealer prior to the effective date of the Resale Shelf Registration Statement. Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters or broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Security Holder will be responsible for underwriting discounts or commissions or agent's commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions)

(i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale; .

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities

State any exceptions here:

Note: **In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of the Company.**

ACKNOWLEDGEMENTS

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Security Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Security Holders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Resale Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Resale Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item 3 above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing this Notice and Questionnaire, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Resale Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Resale Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the Selling Security Holder and received by the Company, the terms of this Notice and Questionnaire and the representations and warranties contained herein shall be binding on, shall insure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Security Holder with respect to the Registrable Securities beneficially owned by such Selling Security Holder and listed in Item 3 above.

This Notice and Questionnaire shall be governed by, and construed in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By _____
Name:
Title:

Dated:

Please return the completed and executed Notice and Questionnaire to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Tel: (858) 350-2600
Fax: (858) 350-2620
Attention: Chief Financial Officer

Exhibit D

Order of Mergers

Each step within each "Transaction Step" below must be completed before the transactions in the following "Transaction Step" may be completed. All transactions within each "Transaction Step" may be completed simultaneously or in any order.

Transaction Step 1

All Forward REIT Mergers
All REIT Sub Forward Mergers

Transaction Step 2

All Contributions to the OP (including the REIT's contribution to the OP of the assets acquired in Step 1)

Transaction Step 3

All Contributions to subsidiaries of the OP (including, where applicable, the OP's contribution to the applicable subsidiary of assets acquired in Step 2)

Transaction Step 4

All OP Forward Mergers ***except*** the OP Forward Merger set forth in Transaction Step 5 and Transaction Step 7 below

Transaction Step 5

Forward Merger of Desert Hillside Holdings LLC with and into the Operating Partnership

Transaction Step 6

All OP Sub Forward Mergers ***except*** the OP Sub Forward Merger set forth in Transaction Step 7 below

Transaction Step 7

Forward Merger of BWH Holdings LLC with and into the Operating Partnership

Forward Merger of Desert Oceanside Holdings LLC with and into Pacific Oceanside Holdings LLC.

Transaction Step 8

All OP Sub Reverse Mergers

Exhibit E

Lock-Up Agreement

_____ __, 2010

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
375 Park Avenue
New York, New York 10152

as Representatives of the several
Underwriters to be named in the
within-mentioned Underwriting Agreement

Re: Proposed Public Offering by American Assets Trust, Inc.

Dear Sirs:

The undersigned, a stockholder of American Assets Trust, Inc., a Maryland corporation (the "Company") and/or a holder of common units of partnership interest (the "Units") in American Assets Trust, LP, a Maryland limited partnership and operating subsidiary of the Company (the "Operating Partnership"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Wells Fargo Securities, LLC ("Wells Fargo") and each of the other Underwriters named in Schedule A to the Underwriting Agreement (as defined below) (collectively, the "Underwriters"), for whom Merrill Lynch and Wells Fargo are acting as representatives (in such capacity, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company and the Operating Partnership, providing for the public offering (the "Public Offering") of shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). In recognition of the benefit that the Public Offering will confer upon the undersigned as a stockholder of the Company and/or as a holder of Units in the Operating Partnership, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each Underwriter to be named in the Underwriting Agreement that, during a period of 180 days from the date of the Underwriting Agreement (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives:

(i) if the undersigned is a director or executive officer of the Company, pursuant to the establishment by the undersigned of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the Lock-Up Period; or

(ii) as a *bona fide* gift or gifts or other dispositions by will or intestacy; or

(iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iv) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the undersigned or the immediate family member of the undersigned; or

(v) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; or

(vi) as a distribution to limited partners, limited liability company members or stockholders of the undersigned; or

(vii) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned; or

(viii) to the Company upon termination of the undersigned's employment with the Company; or

(ix) to pay the exercise price of options to purchase Common Stock pursuant to the cashless exercise feature of such options; or

(x) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (ix) above,

provided that, in each case, (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers or other actions are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market after completion of the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales.

Notwithstanding the foregoing, if:

(1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day Lock-Up Period,

the Representatives may extend, by written notice to the Company, the restrictions imposed by this lock-up agreement until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the period from the date of this lock-up agreement to and including the 34th day following the expiration of the initial 180-day Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the 180-day Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

[Signature Page Follows]

Very truly yours,

Signature: _____

Print Name: _____

(Signature Page to Investor Lock-Up Agreement)

Exhibit F

Operating Partnership Agreement

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMERICAN ASSETS TRUST, L.P.

a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [_____], 2010

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Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [_____], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [_____], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

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

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

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

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

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares

issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided, however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

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

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

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

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

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

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

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

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

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

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

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

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

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

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

"*Common Unit Economic Balance*" means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner's Partnership Common Units.

"*Consent*" means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms "*Consented*" and "*Consenting*" have correlative meanings.

"*Consent of the General Partner*" means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

"*Consent of the Limited Partners*" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

"*Consent of the Partners*" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided*, *however*, that, if any such action affects only certain classes or series of Partnership Interests, "Consent of the Partners" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

"*Constituent Person*" has the meaning set forth in Section 16.9.F hereof.

"*Contributed Property*" means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a "new" partnership pursuant to Code Section 708).

"*Controlled Entity*" means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits and (d) any limited liability company

of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

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

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

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

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

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Family Members*" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

"*Final Adjustment*" has the meaning set forth in Section 10.3.B(2) hereof.

"*Flow-Through Partners*" has the meaning set forth in Section 3.4.C hereof.

"*Flow-Through Entity*" has the meaning set forth in Section 3.4.C hereof.

"*Forced Conversion*" has the meaning set forth in Section 16.9.C hereof.

"*Forced Conversion Notice*" has the meaning set forth in Section 16.9.C hereof.

"*Fourteen-Month Period*" means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party's first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

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

"*General Partner*" means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on Exhibit A, as such Exhibit A may be amended from time to time, in such Person's capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

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

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

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

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

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

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

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

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

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the

appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

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

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

"*LTIP Units*" means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

"*Majority in Interest of the Limited Partners*" means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

"*Majority in Interest of the Partners*" means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

"*Market Price*" has the meaning set forth in the definition of "*Value*."

"*Maryland Courts*" has the meaning set forth in Section 15.9.B hereof.

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss" shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss," shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

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

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

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

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

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

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

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

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

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt

were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

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

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established within ten (10) Business Days of the record date for the determination of the existence of such Partnership Approval, then Partnership Approval shall be deemed not to exist with respect to the event constituting such General Partner Interest Transfer.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in

Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

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

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided*, *however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

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

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"*SDAT*" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a

"taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT

Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation*. The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name*. The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office*. The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such

other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

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

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

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

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term*. The term of the Partnership commenced on [_____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities*. All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business*. The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified*. The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a "partnership at will" (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the

meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an

individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

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

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing

services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to

the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment

Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the General Partner shall sell to such Partnership Subsidiary), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the Partnership Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

D. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares.*

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the same as the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares ("*Partnership Equivalent Units*") equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the

Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares*. Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its

sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term "Partnership Year" may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

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

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

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

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being

allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4)

and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. *Allocation of Excess Nonrecourse Liabilities*. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

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

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

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

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

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

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

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

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

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating

to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

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

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

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

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

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

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

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

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

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is

entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several,

expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

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

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

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

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

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

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

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

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

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

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

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

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

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

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been

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

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such

opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

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

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner*. No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year*. For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns*. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections*. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

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

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a "notice partner" (as defined in Code Section 6231) or a member of a "notice group" (as defined in Code Section 6223(b)(2));

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

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

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

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

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

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

Section 10.4 *Withholding*. Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan

if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses*. The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any

other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. The General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its stockholders (each of a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of

its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided, however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided, further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided, however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided, further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided, however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by

the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within

the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be

subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions*.

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii)

in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner*. A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate Consent of the Limited Partners or the consent or approval of any other Partners. Any such

successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission

shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership*. For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners*. Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission*. A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution*. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

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

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

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

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

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

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution*. Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax

purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders*. Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution*. In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership*. Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up*. A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided, however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS
OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners*. The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments*. Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the

proposal; *provided, however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action, (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion,

redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided, however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or

restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice*. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions*. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as

specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals*. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action*. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver*.

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

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided, however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided, further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts*. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

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

event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement*. This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions*. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status*. Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, however, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition*. No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby*. The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third

party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders*. Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation*. A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting*.

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and

with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments*. The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP

Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations*. Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers*. Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption*. The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend*. Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units

covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be

reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special

allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting*. LTIP Unit Limited Partners shall (a) have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter. So long as any LTIP Units remain outstanding and except as provided in Section 16.3, the Partnership shall not, without the Consent of the Limited Partners holding a majority of the LTIP Units held by Limited Partners at the time (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of the Agreement applicable to LTIP Units so as to materially and adversely affect any right, privilege or voting power of the LTIP Units or the LTIP Unit Limited Partners as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners holding Partnership Common Units; but subject, in any event, to the following provisions: (i) with respect to any Transaction, so long as the LTIP Units are treated in accordance with Section 16.9.F hereof, the consummation of such Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such; and (ii) any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Partnership Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such. The foregoing voting provisions will not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted or provision is made for such conversion to occur as of or prior to such time into Partnership Common Units.

Section 16.11 *Section 83 Safe Harbor*. Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such

election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: _____
Name:
Its:

LIMITED PARTNER:

[,
a],

By: _____
Name:
Its:

LIMITED PARTNER:

_____
Name:

As of [ ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	**Partnership Units (Type and Amount)**
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL:	**[ ] Partnership Common Units**

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [_____] is 1.0 and (b) on [_____] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

_____

_____

_____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [ ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: _____

Name of Limited Partner or Assignee:

_____

_____

(Signature of Limited Partner or Assignee)

_____

(Street Address)

_____

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

Issue Check Payable to:

_____

Please insert social security
or identifying number:

_____

_____

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT

LTIP UNITS INTO PARTNERSHIP COMMON UNITS

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

_____

(Signature of Holder)

_____

(Street Address)

_____

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

Issue Check Payable to: _____

Please insert social security or identifying number: _____

_____

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION

OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

Exhibit 10.14

OP CONTRIBUTION AGREEMENT

DATED AS OF SEPTEMBER 13, 2010

BY AND AMONG AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

AND

THE CONTRIBUTORS
as set forth on Schedule I hereto

TABLE OF CONTENTS

DEFINED TERMS

OP CONTRIBUTION AGREEMENT

THIS OP CONTRIBUTION AGREEMENT is made and entered into as of September 13, 2010 (this "Agreement"), by and among American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), American Assets Trust, Inc., a Maryland corporation (the "REIT"), and the contributors whose names appear on Schedule I hereto (each a "Contributor" and, collectively the "Contributors"). Certain capitalized terms are defined in Section 6.02 of this Agreement.

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities each as described on Exhibit A hereto;

WHEREAS, concurrently with the execution of this Agreement, each of the entities identified on Exhibit A hereto as "Forward REIT Merger Entities" (the "Forward REIT Merger Entities") will enter into an agreement and plan of merger with the REIT pursuant to which each such Forward REIT Merger Entity will merge with and into the REIT and the equity interest in each Forward REIT Merger Entity will be converted automatically into the right to receive cash, without interest, or shares of common stock of the REIT, par value $.01 per share (the "REIT Shares");

WHEREAS, concurrently with the execution of this Agreement, the REIT will enter into agreements and plans of merger with certain American Assets Entities identified as "REIT Sub Forward Merger Entities" on Exhibit A hereto (the "REIT Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each of the REIT Sub Forward Merger Entities will merge with and into wholly owned subsidiaries of the REIT;

WHEREAS, immediately following the completion of the mergers described in the preceding paragraphs, the REIT will contribute to the Operating Partnership, (i) all of the assets, rights and obligations of the Forward REIT Merger Entities acquired by the REIT as a result of the mergers between it and the Forward REIT Merger Entities and (ii) all of the REIT's interests in the surviving entities of the mergers of the REIT Sub Forward Merger Entities with and into wholly owned subsidiaries of the REIT;

WHEREAS, pursuant to this Agreement, immediately following the completion of the mergers and contributions described in the preceding paragraphs, each Contributor shall contribute to the Operating Partnership all of such Contributor's interests (the "Contributed Interest") in the American Assets Entities identified as "Contributed Entities" on Exhibit A hereto, and the Operating Partnership shall acquire from each Contributor all of each Contributor's right, title and interest as a holder of the Contributed Interests; *provided*, that if any Contributed Entity shall no longer exist as of the time of consummation of this agreement, the term Contributed Interest shall include all interests in any entity held by such Contributed Entity at the time such Contributed Entity shall have ceased to exist;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into an agreement and plan of merger with certain American Assets

Entities identified as "Forward OP Merger Entities" on Exhibit A hereto (collectively, the "Forward OP Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each Forward OP Merger Entity will merge with and into the Operating Partnership in the order set forth in the merger agreement for such entities;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Forward Merger Entities" on Exhibit A hereto (collectively, the "OP Sub Forward Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraph, each OP Sub Forward Merger Entity will merge with and into a separate wholly owned subsidiary of the Operating Partnership;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Reverse Merger Entities" on Exhibit A hereto (collectively, the "OP Sub Reverse Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, a separate wholly-owned subsidiary of the Operating Partnership will merge with and into each OP Sub Reverse Merger Entity;

WHEREAS, in lieu of one or more of the mergers described in the preceding paragraphs and at the same time as such mergers would have otherwise occurred, certain holders (the "Consenting Holders") of interests in certain American Assets Entities shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, all of their interests in the applicable American Assets Entity, and the Operating Partnership or such subsidiary shall acquire from each Consenting Holder, all of each Consenting Holder's right, title and interest as a holder of interests in such American Assets Entities;

WHEREAS, the Formation Transactions relate to the proposed initial public offering (the "IPO") of the REIT Shares, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code; and

WHEREAS, all necessary approvals have been obtained by each of the Operating Partnership and the Contributor to consummate the transactions contemplated herein and by the other Formation Transaction Documentation.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

CONTRIBUTION

Section 1.01 CONTRIBUTION TRANSACTION; ASSIGNMENT AND ASSUMPTION.

(a) At the Closing and subject to the terms and conditions contained in this Agreement, each Contributor hereby contributes, assigns, sets over, transfers, conveys and delivers to the Operating Partnership, absolutely and unconditionally and free and clear of all Liens (other than those arising under the partnership, limited liability company or similar agreement(s) of the applicable American Assets Entities (the "Organizational Documents")), all of its right, title and interest in and to its Contributed Interests, including all rights to indemnification in favor of such Contributor under the Organizational Documents; *provided*, that the Operating Partnership accepts the assignment by each Contributor and agrees to be bound by the terms of the Organizational Documents governing each Contributor's Contributed Interest and undertakes, assumes and agrees punctually and faithfully to perform, pay or discharge when due and otherwise in accordance with its terms, all agreements, covenants, conditions, obligations and liabilities of each Contributor in the applicable American Assets Entities with respect to each Contributor's Contributed Interest on or after the Closing Date.

(b) In accordance with the terms of the Organizational Documents governing each Contributor's Contributed Interest, this Agreement shall serve as notice to the partners, managers or members, as the case may be, of each of the applicable American Assets Entities of the transfer of each Contributor's Contributed Interest, and such partners, managers or members, as the case may be, of each of the applicable American Assets Entities consents to, and agrees and acknowledges that all requirements and conditions for such transfer and the admission of the Operating Partnership as a substituted partner or member have been satisfied or otherwise waived.

(c) All of the parties hereto agree that, as a result of the assignment and assumptions hereunder, for purposes of the Organizational Documents governing each Contributor's Contributed Interest, the Operating Partnership shall be a substituted limited partner or member, as the case may be, of the applicable American Assets Entity.

Section 1.02 CONSIDERATION.

(a) Under and subject to the terms and conditions set forth herein, as the result of an irrevocable election indicated on a Consent Form submitted by a Contributor, or as a result of the failure of a Contributor to submit a Consent Form, each Contributor is irrevocably bound to accept and entitled to receive, in consideration for the Contributed Interests contributed pursuant to this Agreement, a specified share of the aggregate pre-IPO equity value of the American Assets Entities in the form of the right to receive cash, REIT Shares and/or OP Units.

(b) At Closing, subject to the terms and conditions contained in this Agreement, in exchange for its Contributed Interests, each Contributor shall receive cash, OP Units and/or REIT Shares with an aggregate value equal to the portion of Equity Value represented by the Contributed Interests as set forth on Schedule I hereto (collectively referred to as the "Contribution Consideration").

Subject to Section 1.03, the amount of cash, number of OP Units and/or REIT Shares comprising the Contribution Consideration for each Contributed Interest shall be as follows:

(i) Cash. One hundred percent (100%) of the Allocated Share for each Contributed Interest held by a Contributor who is not an Accredited Investor shall be paid in cash.

(ii) OP Units. The Elected OP Unit Percentage of the Allocated Share for each Contributed Interest or portion thereof held by a Contributor who is an Accredited Investor shall be distributed in OP Units in the form of a number of OP Units equal to the applicable portion of such Allocated Share divided by the IPO Price; and

(iii) REIT Shares. The Elected REIT Shares Percentage of the Allocated Share for each Contributed Interest or portion thereof held by a Contributor who is an Accredited Investor shall be distributed in whole REIT Shares in the form of a number of REIT Shares equal to the applicable portion of such Allocated Share divided by the IPO Price; *provided*, that to the extent such distribution of REIT Shares to the Contributor would result in a violation of the restrictions on ownership and transfer set forth in Section 6.3 of the REIT's charter (the "Ownership Limits"), such Contributor shall receive (x) the maximum number of whole REIT Shares that would not result in such a violation of the Ownership Limits, and (y) that number of OP Units equal to the remaining number of REIT Shares not distributed as a result of the application of the foregoing clause (x).

(c) At Closing, each Contributor receiving OP Units in exchange for a Contributed Interest shall be admitted as a limited partner of the Operating Partnership. By executing and delivering this Agreement, each Contributor agrees and accepts all of the terms and conditions of the Operating Partnership Agreement and shall be deemed to have executed and delivered a counterpart signature page to the Operating Partnership Agreement.

Section 1.03 FRACTIONAL INTEREST. No fractional OP Units or REIT Shares shall be issued pursuant to this Agreement. All fractional OP Units that a Contributor would otherwise be entitled to receive as a result of the contribution and the other Formation Transactions shall be aggregated, and each Contributor shall receive the number of whole OP Units resulting from such aggregation and, in lieu of any fractional OP Unit resulting from such aggregation, an amount in cash determined by multiplying that fraction of an OP Unit to which such Contributor would otherwise have been entitled, by the IPO Price. All fractional REIT Shares that a Contributor would otherwise be entitled to receive as a result of the contribution and the other Formation Transactions shall be aggregated, and each Contributor shall receive the number of whole REIT Shares resulting from such aggregation and, in lieu of any fractional REIT Share resulting from such aggregation, an amount in cash determined by multiplying that fraction of a REIT Shares to which such Contributor would otherwise have been entitled, by the IPO Price. No interest will be paid or will accrue on any cash paid or payable in lieu of any fractional OP Unit or REIT Share.

Section 1.04 FURTHER ACTION. If, at any time after the Closing, the Operating Partnership shall determine or be advised that any deeds, bills of sale, assignments, assurances or other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Operating Partnership the right, title or interest in or to a Contributed Interests, the Contributor of such Contributed Interest shall execute and deliver all such deeds, bills of sale, assignments and assurances and take and do all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in such Contributed Interests or otherwise to carry out this Agreement.

Section 1.05 CALCULATION OF CONTRIBUTION CONSIDERATION. As soon as practicable following the determination of the IPO Price and prior to the Closing, all calculations relating to the Contribution Consideration shall be performed in good faith by, or under the direction of, the REIT and the Operating Partnership and the parties hereby agree that, absent manifest error, such calculations shall be final and binding upon the Contributors.

ARTICLE II

CLOSING

Section 2.01 CONDITIONS PRECEDENT.

(a) Condition to Each Party's Obligations. The respective obligation of each party to effect the contributions contemplated by this Agreement and to consummate the other transactions contemplated hereby to occur on the Closing Date is subject to the satisfaction or waiver on or prior to the Closing of the following conditions:

(i) Registration Statement. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings by the Securities and Exchange Commission ("SEC") seeking a stop order. This condition may not be waived by any party.

(ii) No Injunction. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment, injunction or other order (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of any of the transactions contemplated in this Agreement nor shall any of the same brought by a Governmental Authority of competent jurisdiction be pending that seeks the foregoing.

(b) Conditions to Obligations of the Operating Partnership. The obligations of the Operating Partnership are further subject to satisfaction of the following conditions (any of which may be waived by the Operating Partnership in whole or in part):

(i) Representations and Warranties. Except as would not have a material adverse effect, the representations and warranties of each Contributor contained in this Agreement, as well as those of the Ernest Rady Trust U/D/T March 10, 1983, as amended (the Rady Trust") contained in the Representation, Warranty and Indemnity Agreement, shall be true and correct in all material respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(ii) Performance by the Contributors. Each Contributor shall have performed each of the agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date and each Contributor shall not have breached any of its covenants contained herein in any material respect.

(iii) IPO Closing. The closing of the IPO shall occur substantially concurrently with to the Closing.

(iv) Consents, Etc. All necessary consents and approvals of Governmental Authorities or third parties (including lenders) for each Contributor to consummate the transactions contemplated hereby shall have been obtained.

(v) No Material Adverse Change. There shall have not occurred between the date hereof and the Closing Date any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of any American Assets Entity in which the Contributed Interests are being contributed or any other Properties held by such American Assets Entity.

(vi) Representation, Warranty and Indemnity Agreement. The Rady Trust and each other party thereto shall have entered into the Representation, Warranty and Indemnity Agreement.

(vii) Escrow Agreement. Each party thereto shall have entered into the Escrow Agreement.

(viii) Formation Transactions. The Formation Transactions shall have been or shall simultaneously be consummated in accordance with the timing set forth in the respective Formation Transaction Documentation.

(ix) Lock-Up Agreement. The Contributor shall have entered into the Lock-Up Agreement substantially in the form attached as Exhibit B.

(x) Tax Protection Agreement. Each Contributor that (1) owns, directly or indirectly, an interest in any Property specified in the Tax Protection Agreement or (2) has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement shall have entered into the Tax Protection Agreement substantially in the form attached as Exhibit C, if applicable.

(c) Conditions to Obligations of the Contributor. The obligation of each Contributor to effect the contribution contemplated by this Agreement and to consummate the other transactions contemplated hereby to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by such Contributor in whole or in part):

(i) Representations and Warranties. Except as would not have an OP Material Adverse Effect, the representations and warranties of the Operating Partnership contained in this Agreement shall be true and correct at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(ii) Performance by the Operating Partnership. Except as would not have an OP Material Adverse Effect, the Operating Partnership shall have performed all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(iii) Registration Rights Agreement. The REIT shall have entered into the registration rights agreement, substantially in the form attached as Exhibit D hereto. This condition may not be waived by any party hereto.

(iv) Tax Protection Agreement. Solely with respect to each Contributor that (1) owns, directly or indirectly, an interest in any Property specified in the Tax Protection Agreement or (2) has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the REIT and the Operating Partnership shall have entered into the Tax Protection Agreement substantially in the form attached as Exhibit C, if applicable.

Section 2.02 TIME AND PLACE. Unless this Agreement shall have been terminated pursuant to Section 2.06 hereof, and subject to satisfaction or waiver of the conditions in Section 2.01 hereof, the closing of the contributions contemplated by Section 1.01 and the other transactions contemplated hereby shall occur substantially concurrently with the receipt by the REIT of the proceeds from the IPO from the underwriters (the "Closing" or the "Closing Date") in the order set forth on Exhibit E. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400, San Diego, California 92130 or such other place as determined by the Operating Partnership in its sole discretion.

Section 2.03 DELIVERY OF CONTRIBUTION CONSIDERATION. As soon as reasonably practicable after the Closing, the Operating Partnership shall deliver to each Contributor the Contribution Consideration payable to such Contributor in the amounts and form provided in Section 1.02(b) hereof. The issuance of OP Units pursuant to Section 1.02(b)(ii) shall be evidenced by an amendment to the Operating Partnership Agreement, and the Operating Partnership shall deliver, or cause to be delivered, an executed copy of such amendment to each Contributor receiving OP Units hereunder. Any certificate representing REIT Shares issuable as Contribution Consideration shall bear the following legend:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS THE TRANSFEROR DELIVERS TO THE CORPORATION AN OPINION OF COUNSEL SATISFACTORY TO

THE CORPORATION, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND EXCEPT AS EXPRESSLY PROVIDED IN THE CORPORATION'S CHARTER, (I) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S COMMON STOCK IN EXCESS OF [__]% (IN VALUE OR NUMBER OF SHARES) OF THE OUTSTANDING SHARES OF COMMON STOCK OF THE CORPORATION UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (II) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK OF THE CORPORATION IN EXCESS OF [__]% OF THE VALUE OF THE TOTAL OUTSTANDING SHARES OF CAPITAL STOCK OF THE CORPORATION, UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (III) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN CAPITAL STOCK THAT WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (IV) NO PERSON MAY TRANSFER SHARES OF CAPITAL STOCK IF SUCH TRANSFER WOULD RESULT IN THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK IN EXCESS OR IN VIOLATION OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP SET FORTH IN (I) THROUGH (III) ABOVE ARE VIOLATED, THE SHARES OF CAPITAL STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY TAKE OTHER ACTIONS, INCLUDING

REDEEMING SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID *AB INITIO*. ALL UNDERLINED TERMS IN THIS LEGEND HAVE THE MEANINGS DEFINED IN THE CHARTER OF THE CORPORATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF CAPITAL STOCK OF THE CORPORATION ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

Section 2.04 CLOSING DELIVERIES. At the Closing, the parties shall make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, any other documents reasonably requested by the Operating Partnership or reasonably necessary or desirable to assign, transfer, convey, contribute and deliver the Contributed Interests, free and clear of all Liens and to effectuate the transactions contemplated hereby.

Section 2.05 CLOSING COSTS. If the Closing occurs, the REIT and the Operating Partnership shall be solely responsible for all transaction costs and expenses of the REIT, the Operating Partnership and the American Assets Entities in connection with the Formation Transactions and the IPO, which include, but are not limited to, the underwriting discounts and commissions. In the event the Closing does not occur, each party shall be responsible for its allocable portion of such costs and expenses in accordance with the terms of those certain letter agreements identified on Schedule II.

Section 2.06 TERM OF THE AGREEMENT. This Agreement shall terminate automatically if (i) the initial registration statement of the REIT for the IPO (the "Registration Statement") has not been filed with the SEC by March 31, 2011, or (ii) the contributions contemplated herein shall not have been consummated on or prior to December 31, 2011 (such date is hereinafter referred to as the "Outside Date").

Section 2.07 EFFECT OF TERMINATION. In the event of termination of this Agreement for any reason, all obligations on the part of the Operating Partnership and any Contributor under this Agreement shall terminate, except that the obligations set forth in Article VI shall survive, it being understood and agreed, however, for the avoidance of doubt, that if this Agreement is terminated because one or more of the conditions to the non-breaching party's obligations under this Agreement are not satisfied by the Outside Date as a result of the other party's material breach of a covenant, representation, warranty or other obligation under this Agreement or any other Formation Transaction Documentation, the non-breaching party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

Section 2.08 TAX WITHHOLDING. The Operating Partnership shall be entitled to deduct and withhold from the consideration payable pursuant to this Agreement to any holder of Contributed Interest such amounts as the Operating Partnership is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Operating Partnership, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the former holder of Contributed Interest in respect of which such deduction and withholding was made.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE OPERATING PARTNERSHIP

The Operating Partnership hereby represents and warrants to each Contributor as follows:

Section 3.01 ORGANIZATION; AUTHORITY.

(a) The Operating Partnership has been duly formed and is validly existing and in good standing under the Laws of its jurisdiction of formation, and, upon the effectiveness of the Operating Partnership Agreement, will have all requisite power and authority to enter into this Agreement and the other Formation Transaction Documentation and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

(b) Schedule 3.01(b) sets forth as of the date hereof, (i) each Subsidiary of the Operating Partnership (each an "Operating Partnership Subsidiary"), (ii) the ownership interest therein of the Operating Partnership, and (iii) if not wholly owned by the Operating Partnership, the identity and ownership interest of each of the other owners of such Operating Partnership Subsidiary. Each Operating Partnership Subsidiary has been duly organized or formed and is validly existing and is in good standing under the Laws of its jurisdiction of organization or formation, as applicable, has all requisite power and authority to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.02 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Formation Transaction Documentation (including each agreement, document and instrument executed and delivered by or on behalf of the Operating Partnership

pursuant to this Agreement or the other Formation Transaction Documentation) by the Operating Partnership has been duly and validly authorized by all necessary actions required of the Operating Partnership. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of the Operating Partnership pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of the Operating Partnership, enforceable against the Operating Partnership in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 3.03 CONSENTS AND APPROVALS. Except in connection with the IPO and the consummation of the other Formation Transactions or as shall have been obtained on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by the Operating Partnership in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby, except for (i) those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect, or (ii) those consents of the Pre-Formation Participants under the organizational documents of the applicable American Assets Entity, the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.04 NO VIOLATION. None of the execution, delivery or performance of this Agreement, the other Formation Transaction Documentation, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of the Operating Partnership, (B) any agreement, document or instrument to which the Operating Partnership or any of its respective assets are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on the Operating Partnership, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.05 VALIDITY OF OP UNITS. Any OP Units to be issued pursuant to this Agreement will have been duly authorized and, when issued against the consideration therefor, will be validly issued by the Operating Partnership, free and clear of all Liens created by the Operating Partnership (other than any Liens created by the Agreement of Limited Partnership of the Operating Partnership (the "Operating Partnership Agreement")).

Section 3.06 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, there is no action, suit or proceeding pending or, to the knowledge of the Operating Partnership, threatened against the Operating Partnership or any Operating Partnership Subsidiary, other than actions, suits, proceedings that individually or in the aggregate, would not reasonably be expected, (a) if adversely determined, to have an OP Material Adverse Effect, or

(b) to impair the ability of the Operating Partnership to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby, to such an extent as would result in an OP Material Adverse Effect.

Section 3.07 OPERATING PARTNERSHIP AGREEMENT. Attached as Exhibit F hereto is a true and correct copy of the Operating Partnership Agreement in substantially final form.

Section 3.08 LIMITED ACTIVITIES. Except for activities in connection with the IPO or the Formation Transactions or in the ordinary course of business, the Operating Partnership and the Operating Partnership Subsidiaries have not engaged in any material business or incurred any material obligations.

Section 3.09 NO BROKER. The Operating Partnership has not entered into, and covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of the Contributor or any Affiliates thereof to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 3.10 NO OTHER REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article III and any other agreement entered into in connection with the Formation Transactions, the Operating Partnership shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby. All representations, warranties and covenants of the Operating Partnership contained in this Agreement shall expire at Closing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE CONTRIBUTORS

Except as disclosed in the Prospectus or the schedules hereto, each Contributor hereby represents, warrants and agrees that as of the Closing Date:

Section 4.01 ORGANIZATION; AUTHORITY. If a Contributor is a natural person, such Contributor has the legal capacity and authority to execute, deliver and perform its obligations under this Agreement, and no Person has any community property rights, by virtue of marriage or otherwise, with respect to the Contributed Interest. If a Contributor is a Person other than a natural person, such Contributor has been duly formed, is validly existing and (to the extent such concept is applicable to such Person) in good standing under the Laws of its jurisdiction of formation, and has all requisite power and authority to enter into this Agreement, each agreement contemplated hereby and the other Formation Transaction Documentation to which it is a party (including any agreement, document and instrument executed and delivered by or on behalf of such Contributor pursuant to this Agreement or the other Formation Transaction Documentation) and to carry out the transactions contemplated hereby and thereby.

Section 4.02 DUE AUTHORIZATION. If a Contributor is a Person other than a natural person, the execution, delivery and performance of this Agreement (including any agreement, document and instrument executed and delivered pursuant to this Agreement) by such Contributor have been duly and validly authorized by all necessary actions required of such Contributor. This Agreement and each agreement, document and instrument executed and delivered by or on behalf of such Contributor pursuant to this Agreement constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of such Contributor, each enforceable against such Contributor in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.03 OWNERSHIP OF CONTRIBUTED INTERESTS. Each Contributor is the sole record owner of all of its Contributed Interests and has the power and authority to transfer, sell, assign and convey to the Operating Partnership the Contributed Interests free and clear of any Liens and, upon delivery of the consideration for such Contributed Interests as provided herein, the Operating Partnership will acquire good and valid title thereto, free and clear of any Liens (other than those Liens created by the Organizational Documents governing such Contributed Interest). Except as provided for or contemplated by this Agreement or the other applicable Formation Transaction Documentation, there are no rights to purchase, veto rights with respect to transfers, subscriptions, warrants, options, conversion rights, preemptive rights, agreements, instruments or understandings of any kind outstanding (i) relating to the Contributed Interests or (ii) to purchase, transfer or to otherwise acquire, or to in any way encumber, any of the interests which comprise the Contributed Interests or any securities or obligations of any kind convertible into any of the interests which comprise the Contributed Interests. Each Contributor has no equity interest, either direct or indirect, in the Properties, except for such Contributor's Contributed Interests.

Section 4.04 CONSENTS AND APPROVALS. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration, or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by any Contributor in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby, except for those consents, waivers, approvals, authorizations or registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have a material adverse effect.

Section 4.05 NO VIOLATION. None of the execution, delivery or performance of this Agreement, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of each Contributor which is a person other than a natural Person, (B) any agreement, document or instrument to which any Contributor is a party or by which a Contributor or its Contributed Interests are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on any Contributor (or its assets or properties), except, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a material adverse effect.

Section 4.06 TAXES. Except as set forth in Schedule 4.06, each Contributor has included all income, gain, loss, deduction or other Tax items in the Contributor's income Tax returns in a manner consistent with the Schedule K-1's received by such Contributor from each American Assets Entity, the interests of which are being contributed by Contributor.

Section 4.07 NON-FOREIGN PERSON. Unless otherwise indicated on the Contributor's Consent Form, each Contributor is a United States person (as defined in the Code).

Section 4.08 LITIGATION. Except as set forth in Schedule 4.08, to each Contributor's knowledge, there is no action, suit or proceeding pending or threatened against such Contributor affecting all or any portion of its Contributed Interests or such Contributor's ability to consummate the transactions contemplated hereby which, if adversely determined, would adversely affect such Contributor's ability to so consummate the transactions contemplated hereby. Each Contributor knows of no outstanding order, writ, injunction or decree of any Governmental Authority against or affecting all or any portion of such Contributor's Contributed Interests, which in any such case would impair such Contributor's ability to enter into and perform all of its obligations under this Agreement.

Section 4.09 INSOLVENCY. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to such Contributor's knowledge, threatened against such Contributor, nor are any such proceedings contemplated by such Contributor.

Section 4.10 INVESTMENT. Each Contributor acknowledges that the offering and issuance of the REIT Shares and/or OP Units to be acquired pursuant to this Agreement are intended to be exempt from registration under the Securities Act and that the REIT's and Operating Partnership's reliance on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of such Contributor contained herein and in such Contributor's Consent Form. In furtherance thereof, each Contributor represents and warrants to the Operating Partnership as follows:

(a) Each Contributor is an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act).

(b) Each Contributor is acquiring the REIT Shares and/or OP Units solely for its own account for the purpose of investment and not as a nominee or agent for any other Person and not with a view to, or for offer or sale in connection with, any distribution of any thereof in violation of the securities Laws.

(c) Each Contributor is knowledgeable, sophisticated and experienced in business and financial matters; each Contributor has previously invested in securities similar to the REIT Shares and/or OP Units and fully understands the limitations on transfer imposed by the federal securities Laws. Each Contributor is able to bear the economic risk of holding the REIT Shares and/or OP Units for an indefinite period and is able to afford the complete loss of its investment in the REIT Shares and/or OP Units; each Contributor has received and reviewed

all information and documents about or pertaining to the Operating Partnership and the business and prospects of the Operating Partnership and the issuance of the REIT Shares and/or OP Units as such Contributor deems necessary or desirable, and has been given the opportunity to obtain any additional information or documents and to ask questions and receive answers about such information and documents, the REIT, the Operating Partnership and the business and prospects of the REIT and the Operating Partnership which such Contributor deems necessary or desirable to evaluate the merits and risks related to its investment in the REIT Shares and/or OP Units; and each Contributor understands and has taken cognizance of all risk factors related to the purchase of the REIT Shares and/or OP Units. Each Contributor is relying upon its own independent analysis and assessment (including with respect to taxes), and the advice of such Contributor's advisors (including tax advisors), and not upon that of the Operating Partnership or any of the Operating Partnership's Affiliates, for purposes of evaluating, entering into, and consummating the transactions contemplated hereby.

(d) Each Contributor acknowledges that (i) the OP Units are not redeemable or exchangeable for cash or REIT Shares for a minimum of 14 months after the date of issuance, and (ii) the REIT Shares and/or OP Units have not been registered under the Securities Act and, therefore, unless registered under the Securities Act or an exemption from registration is available, must be held (and the Contributor must continue to bear the economic risk of the investment in the REIT Shares and/or OP Units) indefinitely and may not be transferred or sold.

Section 4.11 NO OTHER REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article IV and any other agreement entered into by such Contributor in connection with the Formation Transactions, each Contributor shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby.

Section 4.12 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The parties hereto agree and acknowledge that the representations and warranties set forth in this Article IV (other than Section 4.01, Section 4.02, Section 4.03, Section 4.07 and Section 4.10) shall not survive the Closing.

ARTICLE V

COVENANTS AND OTHER AGREEMENTS

Section 5.01 COVENANTS OF THE CONTRIBUTORS. From the date hereof through the Closing, except as otherwise provided for or as contemplated by this Agreement or the other applicable Formation Transaction Documentation, each Contributor shall not without the prior written consent of the Operating Partnership, which consent may be withheld by the Operating Partnership in its sole discretion:

(a) Sell, transfer or otherwise dispose, or agree to sell, transfer or otherwise dispose of, all or any portion of the Contributed Interests, or cause the sale, transfer or disposal of all or any portion of the Contributed Interests;

(b) Mortgage, pledge, hypothecate, encumber (or agree, permit or cause to become encumbered) all or any portion of the Contributed Interests;

(c) Cause the applicable American Assets Entity or its Subsidiaries to: file an entity classification election pursuant to Treasury Regulation Section 301.7701-3(c) on Internal Revenue Service Form 8832 (Entity Classification Election) to treat such American Assets Entity or any of its Subsidiaries as an association taxable as a corporation for United States federal income tax purposes; make or change any other Tax elections; settle or compromise any claim, notice, audit report or assessment in respect of Taxes; change any annual Tax accounting period; adopt or change any method of Tax accounting; file any amended Tax return; enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any Tax; surrender of any right to claim a Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment; or

(d) Authorize or consent to, permit or cause any American Assets Entity to take, any of the actions prohibited by the Formation Transaction Documentation.

Section 5.02 COMMERCIALLY REASONABLE EFFORTS BY THE OPERATING PARTNERSHIP AND THE CONTRIBUTORS. Each of the Operating Partnership and each Contributor shall use commercially reasonable efforts and cooperate with each other in (i) promptly determining whether any filings are required to be made or consents, approvals, waivers, permits or authorizations are required to be obtained (under any applicable Law or regulation or from any Governmental Authority or third party) in connection with the transactions contemplated by this Agreement, and (ii) promptly making any such filings, in furnishing information required in connection therewith and in timely seeking to obtain any such consents, approvals, waivers, permits or authorizations.

Section 5.03 TAX MATTERS.

(a) So long as some portion of the Contribution Consideration with respect to the Contributed Interests is in the form of OP Units, the parties hereto intend and agree that, for United States federal income tax purposes, the contribution of such Contributed Interests shall constitute an "assets-over" partnership merger within the meaning of Treasury Regulations Section 1.708-1(c)(3)(i), and, as a result, that (i) any payment of cash or REIT Shares for the Contributed Interests shall be treated as a sale of such Contributed Interests by the holder and a purchase of such Contributed Interests by the Operating Partnership for the cash and/or REIT Shares so paid under the terms of this Agreement in accordance with Treasury Regulations Section 1.708-1(c)(4), and (ii) each such holder of the Contributed Interests who accepts cash and/or REIT Shares shall explicitly agree and consent (the "Sale Consent") to such treatment in their Consent Form as a condition to electing such consideration. To the extent the Operating Partnership acquires any Contributed Interests as described above, or previously acquired such interest, for United States federal income tax purposes the receipt by the Operating Partnership of the portion of property attributable to such Contributed Interests shall be treated as a distribution by applicable American Assets Entity in redemption of such Contributed Interests. Notwithstanding Section 1.02 and any holder's election as to the form of their Contribution Consideration, if any holder (other than a non-accredited investor), fails to execute a Sale Consent prior to the Closing, such holder's Contribution Consideration shall consist solely of OP Units. Any cash paid as the Contribution Consideration to a non-accredited investor for a Contributed Interest shall be paid only after the receipt of a Sale Consent from such holder.

(b) The Operating Partnership shall prepare or cause to be prepared and file or cause to be filed all income Tax returns of each American Assets Entity the Contributed Interests of which have been contributed pursuant to this agreement and any Subsidiary of such American Assets Entity which are due after the Closing Date. All such income Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable law. No later than ten (10) days prior to the due date (including extensions) for filing such income Tax returns, the Operating Partnership shall deliver such income Tax returns to American Assets, Inc. for its review and approval, which shall not be unreasonably withheld.

(c) The Operating Partnership shall prepare or cause to be prepared all other Tax returns of each American Assets Entity the Contributed Interests of which have been contributed pursuant to this agreement and any Subsidiary of such American Assets Entity.

(d) The REIT, the Operating Partnership and each Contributor shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax returns related to the transactions pursuant to this Agreement and any audit, litigation or administrative, judicial or other inquiry or proceeding with respect to Taxes related to the transactions pursuant to this Agreement. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such action or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The REIT, the Operating Partnership and each Contributor further agree, upon request, to use their reasonable efforts to obtain any certificate or other document from any governmental authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed with respect to the transactions contemplated hereby.

(e) Prior to Closing, each Contributor shall deliver to the Operating Partnership a properly executed certificate prepared in accordance with Treasury regulations section 1.1445-2(b) certifying such Contributor's non-foreign status, and if requested by the Operating Partnership, and any similar withholding certificates or other forms under applicable state, local or foreign Tax laws.

(f) The REIT and the Operating Partnership make no representations or warranties to the Contributors or to the American Assets Entities regarding the Tax treatment of the contributions pursuant to this Agreement or of the other Formation Transactions, or with respect to any other Tax consequences to any Contributor or any American Assets Entity of this Agreement or the other Formation Transactions. Each Contributor acknowledges that each American Assets Entity and each Contributor are relying solely on their own Tax advisors in connection with this Agreement and the other Formation Transactions.

Section 5.04 CONSENT AND WAIVER OF RIGHTS UNDER ORGANIZATIONAL DOCUMENTS. As of the Closing, each Contributor waives and relinquishes all rights and benefits otherwise afforded to the Contributor (a) under the Organizational Documents of the

applicable American Assets Entity including, without limitation, any rights of appraisal, rights of first offer or first refusal, buy/sell agreements, put, option, or similar parallel exit or dissenter rights in connection with the Formation Transactions and the IPO, and any right to consent to or approve of the sale or contribution or other transaction undertaken by the other equity holders of the applicable American Assets Entity of their Contributed Interests to the Operating Partnership, the REIT or any direct or indirect subsidiary thereof and any and all notice provisions related thereto, (b) to the extent permissible under applicable Laws, any statutory rights with respect to the Contributed Interests or the applicable American Assets Entity and (c) for claims against the REIT or the Operating Partnership for breach by any Contributor or any of their respective present or former officers, directors, managing members, general partners or Affiliates of their fiduciary duties or similar obligations (including duties of disclosure) to any of their respective present or former shareholders, members, partners, equity interest holders or Affiliates or the terms of the applicable Organizational Documents. Each Contributor acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the Organizational Documents of the applicable American Assets Entity or other agreements among one or more holders of such Contributed Interests or one or more of the partners or members of any such American Assets Entity. With respect to each American Assets Entity and each Property in which a Contributed Interest of the Contributor represents a direct or indirect interest, each Contributor expressly gives all consents (and any consents necessary to authorize the proper parties in interest to give all consents) and waivers it is entitled to give that are necessary or desirable to facilitate the contribution or other Formation Transactions relating to such American Assets Entity or property. In addition, if the transactions contemplated hereby occur, this Agreement shall be deemed to be an amendment to the Organizational Documents of the applicable American Assets Entity to the extent the terms herein conflict with the terms thereof, including without limitation, terms with respect to allocations, distributions and the like. In the event the transactions contemplated by this Agreement do not occur, nothing in this Agreement shall be deemed to be or construed as an amendment or modification of, or commitment of any kind to amend or modify, the Organizational Documents of the applicable American Assets Entity, which shall remain in full force and effect without modification.

Section 5.05 EXCLUDED ASSETS. Prior to the Closing or, as specified in Schedule 5.03, as soon as possible following the Closing and after such amounts are reasonably determinable, each American Assets Entity and its Subsidiaries shall distribute or cause to be distributed or paid out the assets identified on Schedule 5.05 (the "Excluded Assets").

Section 5.06 ALTERNATE TRANSACTION. In the event that the Operating Partnership determines that a structure change is necessary, advisable or desirable, the Operating Partnership may elect, in its sole and absolute discretion, to effect the Alternate Transaction, without the need for the Operating Partnership to seek any further consent or action from any Contributor, and each Contributor shall, and it shall cause its stockholders, members or partners, as applicable, and Subsidiaries to, enter into such agreements as shall be necessary to consummate the Alternate Transaction.

Section 5.07 EXCLUSION OF INTERESTS. The parties hereby agree that the Operating Partnership shall have the right, in its sole discretion, to exclude any Contributed Interest, or any interest held directly or indirectly through a Contributed Interest, from this contribution after the date hereof until the Effective Time, provided that the Operating Partnership shall provide prior written notice to such Contributor regarding such exclusion.

ARTICLE VI

GENERAL PROVISIONS

Section 6.01 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (a) delivered personally, (b) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (c) one (1) Business Day after being sent by a nationally recognized overnight courier or (d) transmitted by facsimile if confirmed within twenty-four (24) hours thereafter by a signed original sent in the manner provided in clause (a), (b) or (c) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party):

(a) if to the Operating Partnership to:

American Assets Trust, L.P.
c/o American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620
Attention: Chief Executive Officer

(b) If to the Contributor, to the address set forth opposite such Contributor's name on Schedule I hereto.

Section 6.02 DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings.

(a) "Accredited Investor" has the meaning set forth under Regulation D of the Securities Act.

(b) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(c) "Allocated Share" means the amount that would be allocated to a Pre-Formation Participant that is the holder of an interest in an American Assets Entity in accordance with the provisions of the existing Organizational Documents of such entity relating to distributions of distributable net proceeds from sales of directly or indirectly owned properties or assets, and assuming the sale of the relevant Target Asset or Target Assets that are directly or indirectly owned by such entity for a value equal to such Target Asset's or Target Assets' respective Equity Value(s).

Notwithstanding the foregoing, the Allocated Share of any Pre-Formation Participant shall reflect the following adjustments:

1. Intercompany Debt Adjustment. In calculating Allocated Share, all Intercompany Debt shall be taken into account so that the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligor of Intercompany Debt collectively are reduced, and the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligee of such Intercompany Debt collectively are increased, in each case by the amount of such Intercompany Debt (such adjustments being referred to as "Intercompany Debt Adjustments").

2. Entity Specific Debt Adjustment. To the extent that Entity Specific Debt is allocated to a Target Asset, in calculating Allocated Shares of holders of direct or indirect Pre-Formation Interests in the American Assets Entity or Entities owning such Target Asset, the amount of the decrease in Equity Value of such Target Asset attributable to the allocation of such Entity Specific Debt to such Target Asset (through the operation of the formula set forth on Schedule III) (in each case, such decrease being the "Decrease") shall be taken into account so that:

    a. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in any obligor(s) under such Entity Specific Debt collectively shall be (i) reduced by the amount equal to the excess of (w) the amount of the Entity Specific Debt owed by such obligor over (x) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset; or (ii) increased by the amount equal to the excess of (y) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset over (z) the amount of the Entity Specific Debt owed by such obligor; and

    b. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in American Assets Entities owning such Target Asset that are not obligors under such Entity Specific Debt collectively shall be increased by the amount equal to the amount of the Decrease allocated pro rata to such holders as direct or indirect owner of the Target Asset;

with the net effect under the foregoing clauses (a)(i), (a)(ii) and (b) being that the adverse economic impact of the Decrease shall be borne equitably by the holders of direct or indirect Pre-Formation Interests in the actual obligor(s) under such Entity Specific Debt and not by any other holder of direct or indirect Pre-Formation Interests in the American Assets Entities owning such Target Asset.

Illustrative examples of the application of the foregoing Allocated Share adjustments using hypothetical numbers are included as Example 3 and Example 4 in ***Appendix A*** to Schedule III.

"Alternate Transaction" means (i) a contribution of all or a portion of the assets of the Contributed Entity held directly or indirectly by a Contributor to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets contributed to the Operating Partnership), (ii) a contribution by each holder of direct or indirect equity interests in a Contributor to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that would have otherwise been received by such holder of direct or indirect equity interests pursuant to this Agreement, (iii) the restructuring of this transaction as either (x) a merger of the Contributed Entity with and into either the REIT or a wholly owned subsidiary of the REIT, or the Operating Partnership or a wholly owned Subsidiary of the Operating Partnership or (y) a merger of a wholly owned subsidiary of either the REIT or the Operating Partnership with and into the Contributed Entity, in each case in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, or (iv) any other transaction pursuant to which the REIT, the Operating Partnership or any of their Subsidiaries acquire the Contributed Entity or all or a portion of the assets held directly or indirectly by a Contributor or the Contributed Entity in a transaction pursuant to which such Contributor receives the amount of cash, the number of OP Units and/or the number of REIT Shares that were to be received by such Contributor pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets acquired by the REIT, the Operating Partnership or any of their Subsidiaries pursuant to such Alternate Transaction).

(e) "American Assets Entity" means a Forward OP Merger Entity, Forward REIT Merger Entity, OP Sub Reverse Merger Entity, OP Sub Forward Merger Entity, REIT Sub Forward Merger Entity, or Contributed Entity, as applicable. As used herein, "American Assets Entities" refer to each American Assets Entity, collectively.

(f) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California.

(g) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(h) "Consent Form" means the forms provided to each holder of Pre-Formation Interests to consent to the Formation Transactions and to make such holder's irrevocable elections with respect to consideration to be received in the Formation Transactions.

(i) "Elected OP Unit Percentage" means, with respect to the Contribution Consideration to be received by any Contributor for any Contributed Interest, the percentage of the Allocated Share represented by such Contributed Interest that the Contributor has made a Valid Election to receive in the form of OP Units.

(j) "Elected REIT Share Percentage" means, with respect to the Contribution Consideration to be received by any Contributor for any Contributed Interest, the percentage of the Allocated Share represented by such Contributed Interest that the Contributor has made a Valid Election to receive in the form of REIT Shares.

(k) "Equity Value" has the meaning set forth in Schedule III hereto.

(l) "Escrow Agreement" means the Indemnity Escrow Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the REIT, acting in the capacity of Escrow Agent.

(m) "Formation Transaction Documentation" means all of the agreements and plans of merger relating to all target entities and all contribution agreements (including this Agreement) and related documents and agreements substantially in the forms accompanying the Request for Consent dated July 31, 2010 and identified in Exhibit G hereto, pursuant to which all of the American Assets Entities and/or the equity interests in the American Assets Entities held by the Pre-Formation Participants are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(n) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(o) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(p) "Intercompany Debt" means loans or advances among American Assets Entities and/or their Subsidiaries or among holders of Pre-Formation Interests on the one hand and American Assets Entities and/or their Subsidiaries on the other hand, other than those promissory notes set forth on ***Appendix D*** to Schedule III for which Del Monte Center is listed as the associated Target Asset, each of which loans or advances are set forth on Schedule IV hereto. Intercompany Debt shall not be discharged pursuant to the Formation Transactions except to the extent any such Intercompany Debt merges out of existence by operation of law as a result of such transactions (e.g., if the Operating Partnership acquires both the obligor and obligee interest in a loan which reflects an Intercompany Debt). After the closing of the Formation Transactions, and except as provided below, to the extent any such loans are acquired by the REIT, Operating Partnership or their Subsidiaries (e.g., an obligor or obligee with respect to such loans is merged with or into, or acquired by, one of such entities), the REIT, Operating Partnership or their Subsidiaries (as applicable) shall be permitted to take any actions (including repayment) with respect to such Intercompany Debt as they deem appropriate. Intercompany Debt with respect to which either the obligor or the obligee (but not both such parties) under such Intercompany Debt is acquired, directly or indirectly, by the REIT, Operating Partnership or their Subsidiaries, shall be deemed to be discharged immediately after the Formation Transactions by (i) the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligor, or (ii) the obligor to the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligee, in each case in exchange for the consideration payable as set forth in the applicable Formation Transaction Documentation. The amounts payable and receivable with respect to each item of Intercompany Debt shall be determined by the REIT, for purposes of determining the Intercompany Debt Adjustments, within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

(q) "IPO Closing Date" means the closing date of the IPO.

(r) "IPO Price" means the initial public offering price of a REIT Share in the IPO.

(s) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(t) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(u) "Lock-Up Agreement" means that certain Lock-Up Agreement, by and between the underwriters and each investor of the REIT and/or the Operating Partnership.

(v) "OP Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the Operating Partnership and each Operating Partnership Subsidiary, taken as a whole.

(w) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(x) "Pre-Formation Interests" means the interests held by the Pre-Formation Participants in the American Assets Entities.

(y) "Pre-Formation Participants" means the holders of the equity interests in the relevant American Assets Entities immediately prior to the Formation Transactions.

(z) "Properties" means the office or other property owned by the American Assets Entities or any of their Subsidiaries or leased pursuant to a ground lease.

(aa) "Prospectus" means the REIT's final prospectus as filed with the SEC.

(bb) "Representation, Warranty and Indemnity Agreement" means the Representation, Warranty and Indemnity Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(cc) "Securities Act" means the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder.

(dd) "Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person owns (either directly or through or together with another Subsidiary of such Person) either (i) a general partner, managing member or other similar interest, or (ii)(A) ten percent (10%) or more of the voting power of the voting capital stock or other equity interests, or (B) ten percent (10%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity.

(ee) "Target Asset" has the meaning set forth in Schedule III hereto.

(ff) "Tax" means all federal, state, local and foreign income, gross receipts, license, property, withholding, sales, franchise, employment, payroll, goods and services, stamp, environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

(gg) "Tax Protection Agreement" means that certain Tax Protection Agreement, by and among the REIT, the Operating Partnership and the parties identified as a signatory on Schedule A thereto.

(hh) "Valid Election" means, with respect to any Contributed Interest, an irrevocable election to receive all or a portion of its Allocated Share in the form of OP Units or REIT Shares as indicated on the properly completed and timely received Consent Form of the Contributor or a Consent Form as to which any deficiencies have been waived by the REIT.

Section 6.03 COUNTERPARTS. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

Section 6.04 ENTIRE AGREEMENT; THIRD-PARTY BENEFICIARIES. This Agreement, the other Formation Transaction Documentation and the Consent Forms to which the parties hereto are a party, including, without limitation, the exhibits and schedules hereto and thereto, constitute the entire agreement and, except as set forth in Section 2.05, supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

Section 6.05 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, regardless of any Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 6.06 ASSIGNMENT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; *provided*, *however*, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that the Operating Partnership may assign its rights and obligations hereunder to an Affiliate.

Section 6.07 JURISDICTION. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the County of San Diego, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

Section 6.08 DISPUTE RESOLUTION. The parties intend that this Section 6.08 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party

raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to Section 6.08(c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this agreement to arbitrate) that is not resolved pursuant to Section 6.08(a) above shall be submitted to final and binding arbitration in California before one neutral and impartial arbitrator, in accordance with the Laws of the State of California for agreements made in and to be performed in that State. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures. Within fifteen (15) days following a demand for arbitration, the arbitrator shall be appointed by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs, and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

Section 6.09 SEVERABILITY. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable Law, but if any provision is held invalid, illegal or unenforceable under applicable Law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

Section 6.10 RULES OF CONSTRUCTION.

(a) The parties hereto agree that they had the opportunity to be represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any Law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words “hereof,” “herein” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Unless explicitly stated otherwise herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

Section 6.11 EQUITABLE REMEDIES. The parties agree that irreparable damage would occur to the Operating Partnership in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Operating Partnership shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by a Contributor and to enforce specifically the terms and provisions hereof in any federal or state court located in California, this being in addition to any other remedy to which the Operating Partnership is entitled under this Agreement or otherwise at law or in equity.

Section 6.12 TIME OF THE ESSENCE. Time is of the essence with respect to all obligations under this Agreement.

Section 6.13 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 6.14 NO PERSONAL LIABILITY CONFERRED. This Agreement shall not create or permit any personal liability or obligation on the part of any officer, director, partner, employee or shareholder of the Operating Partnership or any of the Contributors.

Section 6.15 CONSENT OF PARTNER, MANAGER or MEMBER. In accordance with the terms of certain of the agreements governing the Contributed Interests, the undersigned, in its capacity as a partner, manager or member of one or more of the American Assets Entity in which Contributed Interest are held, consents to the applicable transfers contemplated in Section 1.01 hereof and the admission of the Operating Partnership as a substituted partner or member in each applicable American Assets Entity and waives any right of first refusal which the undersigned has with respect of the transfer of any of the Contributed Interests to the Operating Partnership.

Section 6.16 WAIVER OF SECTION 1542 PROTECTIONS. As of the Closing Date, each of the parties hereto expressly acknowledges that it has had, or has had and waived, the opportunity to be advised by independent legal counsel and hereby waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542 which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.

Section 6.17 AMENDMENTS. This Agreement may be amended by appropriate instrument, without the consent of any Contributor, at any time prior to the Closing Date; *provided*, that no such amendment, modification or supplement shall be made that alters the amount or changes the form of the consideration to be delivered to the Contributors, without the prior written consent of the Contributor adversely affected by such proposed amendment, modification or supplement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers or representatives, all as of the date first written above.

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its: General Partner

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

EACH CONTRIBUTOR LISTED ON
SCHEDULE I HERETO

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its: Attorney-in-Fact

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: President

Schedule I

CONTRIBUTORS

Contributor	Address	Contributed Interest
American Assets, Inc.	See Company's files	American Assets Trust Management, LLC Pacific Santa Fe Holdings, L.P.
Bee-Dee Investments, Ltd.	See Company's files	ICW Valencia, L.P.
Carol McArton	See Company's files	Pacific American Assets Holdings, LP
Daniel Blankstein	See Company's files	Pacific American Assets Holdings, LP
Debra Olenick Hirsch	See Company's files	Winrad Kearny Mesa Business Center
Donald Rady Trust	See Company's files	Pacific American Assets Holdings, LP
Ernest Rady	See Company's files	Winrad Kearny Mesa Business Center
Ernest Rady Trust U/D/T March 10, 1983, as amended	See Company's files	Pacific American Assets Holdings, LP Carmel Country Plaza, L.P. Pacific Carmel Mountain Holdings, L.P. Pacific National City Holdings, L.P. Pacific Solana Beach Holdings, L.P. Pacific Sorrento Valley Holdings I, L.P. Pacific Sorrento Valley Holdings II, L.P. Mariner's Point, LLC
ESW LLC	See Company's files	EBW Hotel LLC

Contributor	Address	Contributed Interest
Gaidebro Holdings, Inc.	See Company's files	Pacific National City Holdings, L.P. Pacific Solana Beach Holdings, L.P. Pacific San Jose Holdings, L.P. Pacific Sorrento Mesa Holdings, L.P. Beach Walk Holdings, LP ICW Valencia, L.P.
Gail Wagner	See Company's files	Winrad Kearny Mesa Business Center
Harry Rady Trust	See Company's files	Pacific American Assets Holdings, LP
Leonard Blankstein	See Company's files	Pacific American Assets Holdings, LP
Linda Blankstein	See Company's files	Pacific American Assets Holdings, LP
Marblank Investments, Inc.	See Company's files	Pacific National City Holdings, L.P. Pacific Solana Beach Holdings, L.P. Pacific San Jose Holdings, L.P. Pacific Sorrento Mesa Holdings, L.P.
Margo Rady Trust	See Company's files	Pacific American Assets Holdings, LP
Marjorie Blankstein	See Company's files	Winrad Kearny Mesa Business Center
Max Blankstein	See Company's files	Pacific American Assets Holdings, LP
Nora Kaufman	See Company's files	Carmel Country Plaza, L.P. Winrad Kearny Mesa Business Center ICW Plaza, L.P., a California limited partnership San Diego Loma Palisades, L.P.
Roberta Olenick	See Company's files	Winrad Kearny Mesa Business Center

Schedule II

Reimbursement Agreements

1. Letter Agreement by and among American Assets, Inc. and the Property Entities (as defined therein) dated May 17, 2010

Schedule III

Calculation of Equity Value

For purposes of all Formation Transaction Documentation, "Equity Value" of any Target Asset directly or indirectly owned by the American Assets Entity subject to such agreement shall be calculated pursuant to the formula set forth below. Capitalized terms used in this Schedule III shall have the meanings set forth below and capitalized terms used herein without definition shall have the meanings assigned to such terms in the Agreement.

$$EV = EP \times [TFTV\text{-}TPA] + AA;$$

where:

EV = Equity Value;
EP = Equity Percentage;
TFTV= Total Formation Transaction Value;
TPA = Total Portfolio Adjustment; and
AA = Asset Adjustment;

provided, however, that if the resulting Equity Value for a Target Asset is a negative amount (a "Net Deficit"), then the REIT shall exercise one of the following options, as determined by the REIT in its sole and absolute discretion: (i) select the Target Asset as an Eliminated Asset or (ii) if one or more entities that are subject to the Formation Transaction Documentation that are the direct or indirect owners of such Target Asset would otherwise possess Excluded Assets the value of which in the aggregate would equal or exceed the amount of such Net Deficit, increase the Target Net Working Capital with respect to such entity or entities by the absolute value of such Net Deficit; and *provided further* that if the REIT shall have exercised option (ii) with respect to any Target Asset, the Equity Value with respect to such Target Asset shall be deemed to be equal to zero;

provided further, that if the Equity Value for ICW Valencia/Valencia Corporate Center as calculated above would result in the holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. having an amount of Allocated Shares, prior to the application of the Intercompany Debt Adjustments, that is less than the value of the Intercompany Debt owed by ICW Valencia, L.P. to ICW Plaza, L.P. (such shortfall being referred to as the "Intercompany Debt Shortfall"), then (i) Western Insurance Holdings, Inc. shall issue a promissory note with a term of three years to ICW Valencia, L.P. which shall be treated as an Asset Adjustment with respect to ICW Valencia/Valencia Corporate Center and such promissory note (the "WIH Note") shall have such face amount as shall be necessary to increase the Equity Value of ICW Valencia/Valencia Corporate Center such that the Allocated Shares of holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. shall increase by an amount, prior to the application of the Intercompany Debt Adjustments, equal to the Intercompany Debt Shortfall and (ii) the Equity Value for ICW Valencia/Valencia Corporate Center shall be recalculated to give effect to the Asset Adjustment attributable to the issuance of the WIH Note.

Attached as ***Appendix A*** to this Schedule III are illustrative calculations of Equity Value for a hypothetical portfolio of Target Assets.

"Actual Balance" shall mean: (i) with respect to each Existing Loan to be assumed in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such assumption and all assumption fees and any related expenses with respect to such Existing Loan; and (ii) with respect to each Existing Loan to be prepaid, repaid or refinanced in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such prepayment, repayment or refinancing and any related prepayment penalties and any related expenses; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Actual Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed. With respect to each Existing Loan to be assumed, prepaid, repaid or refinanced in connection with the Formation Transactions, the Actual Balance as of the Closing Date shall be determined by the REIT within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

"Asset Adjustment" shall mean with respect to each Target Asset and any Existing Loan relating to such Target Asset, an amount equal to the Base Balance minus the Actual Balance (expressed as a positive or negative number, as applicable) with respect to all Existing Loans relating to such Target Asset, and in the case of ICW Valencia/Valencia Corporate Center, the face value of the WIH Note shall be deemed to reduce the Actual Balance of the Existing Loan relating to ICW Valencia/Valencia Corporate Center.

"Base Balance" shall mean with respect to each Existing Loan, the principal amount of such Existing Loan set forth on ***Appendix C*** to this Schedule III; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Base Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Eliminated Asset" shall mean any Target Asset subject to the Formation Transaction Documentation that is excluded pursuant to the terms of the Formation Transaction Documentation from the Formation Transactions.

"Equity Percentage" shall mean with respect to each Target Asset, the percentage (expressed as a decimal) set forth opposite the name of such Target Asset on ***Appendix B*** to this Schedule III (which percentage is based on the Fairness Opinion of Duff & Phelps, LLC and represents such

Target Asset's percentage of the net asset values of the Target Assets (other than the Management Company) and the net equity value of the Management Company, taken as a whole); *provided*, *however*, that in the event a Target Asset is selected as or otherwise becomes for any reason an Eliminated Asset, then: (i) the Equity Percentage for each remaining Target Asset shall be recalculated as a fraction, the numerator of which is the original Equity Percentage for such remaining Target Asset and the denominator of which is (A) 100 minus (B) the original Equity Percentage of the Eliminated Asset; and (ii) the Equity Percentage of the Eliminated Asset shall be zero; and *provided*, *further*, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then, after giving effect to any Eliminated Assets pursuant to the preceding proviso, the Equity Percentage for such Target Asset and for each other remaining Target Asset subject directly or indirectly to the Formation Transaction Documentation shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Excluded Assets" has the meaning set forth in Section 5.03 to the Agreement.

"Existing Loan" shall mean (i) each mortgage or mezzanine loan secured by a Target Asset listed on ***Appendix C*** to this Schedule III and (ii) all unsecured indebtedness of an American Assets Entity or of an entity in which an American Assets Entity has a direct or indirect interest that will be assumed, prepaid, repaid or refinanced in connection with the IPO and that is set forth on ***Appendix D*** to this Schedule III (all indebtedness falling within the scope of this clause (ii) shall be referred to as "Entity Specific Debt"); for the avoidance of doubt, no Intercompany Debt shall constitute an Existing Loan (in order to avoid double counting, as Intercompany Debt is adjusted for through the definition of "Allocated Share"). Existing Entity Specific Debt will be deemed to relate to the Target Asset(s) and, if to multiple Target Assets, in the proportions set forth opposite the name of such Entity Specific Debt on ***Appendix D*** to this Schedule III, and all such Entity Specific Debt will be deemed to have a Base Balance of zero (because "Equity Percentage" as determined by Duff & Phelps, LLC was determined at the property level and did not take into account Entity Specific Debt, Entity Specific Debt is deemed to be zero in order to cause a readjustment of "Equity Value" of all Target Assets after taking into account such Entity Specific Debt).

"Target Asset" shall mean each property set forth on Appendix B to this Schedule III and the property management business of American Assets, Inc. (the "Management Company").

"Target Net Working Capital" has the meaning set forth in Schedule 5.03 to the Agreement.

"Total Portfolio Adjustment" shall mean the sum (which may be a positive or negative number) of all Asset Adjustments for every Target Asset, excluding Eliminated Assets.

"Total Formation Transaction Value" shall mean the aggregate dollar value of (i) the cash, (ii) the REIT Shares and (iii) the OP Units that are issued or issuable to all Pre-Formation Participants in the Formation Transactions as set forth in the Prospectus. Total Formation Transaction Value will be determined valuing REIT Shares and OP Units at a value per REIT Share or OP Unit equal to the IPO Price.

Appendix A to Schedule III

Worked Examples

The figures and calculations included in this ***Appendix A*** are for illustrative purposes only and are based on a hypothetical portfolio of properties. Neither the hypothetical Total Formation Transaction Value nor any of the other figures or calculations presented on ***Appendix A*** shall be binding on the REIT or the Operating Partnership, and should not be considered an indication of value of the American Assets Entities. The value of the American Assets Entities will ultimately be determined by the REIT in consultation with the underwriters of the IPO based on public investor demand and may be lower or higher than the hypothetical Total Formation Transaction Value shown on ***Appendix A***. In addition, the calculations in ***Appendix A*** assume that each of Target Assets in this hypothetical portfolio of properties will be wholly owned, directly or indirectly, by the REIT.

Example—Base Case

In the hypothetical examples shown below, the Target Assets that will be acquired by the REIT in the Formation Transactions consist of four shopping centers. The Total Formation Transaction Value, or "TFTV," for this entire portfolio of properties will be $400, absent the impact of certain potential adjustments described in the subsequent examples. Each Target Asset (i) is subject to a $25 mortgage, (ii) was determined by a third-party valuator to have a relative equity value equal to 25% of the entire portfolio and (iii) has two owners, each of whom has a 50% interest in the property.

Target Asset	Equity Percentage ("EP") (determined by 3rd party valuator)	Property Holding Companies & Ownership %
Shopping Center 1	25%	Company A (50%) Company B (50%)
Shopping Center 2	25%	Company C (50%) Company D (50%)
Shopping Center 3	25%	Company E (50%) Company F (50%)
Shopping Center 4	25%	Company G (50%) Company H (50%)
Total	100%	

Applying the Equity Value formula and assuming that there is no Entity Specific Debt and no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [400 - 0] + 0
Shopping Center 2	100 = 25% x [400 - 0] + 0
Shopping Center 3	100 = 25% x [400 - 0] + 0

Shopping Center 4	100 = 25% x [400 - 0] + 0
Total Equity Value	400

Example 2 – Mortgage Payoff

In this example, all of the facts described in the Base Case above are the same, except that prior to the completion of the Formation Transactions, the $25 mortgage on Shopping Center 1 is paid off such that at the time that Shopping Center 1 is acquired by the Operating Partnership it is not subject to any mortgage debt. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 1:

Property	**Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)**
Shopping Center 1	25 = 25 – 0
Shopping Center 2	0 = 25 – 25
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	25

In addition, by virtue of the reduction in the outstanding mortgage debt that will be assumed by the Operating Partnership in connection with the Formation Transactions, the Total Formation Transaction Value will have increased by the $25 value of the mortgage repayment from $400 to $425.

Applying the Equity Value formula reflecting these new facts and assuming that there is no Entity Specific Debt, the Equity Value of each of the four properties is as set forth below:

Property	**Equity Value = EP x [TFTV – TPA] + AA**
Shopping Center 1	125 = 25% x [425 - 25] + 25
Shopping Center 2	100 = 25% x [425 - 25] + 0
Shopping Center 3	100 = 25% x [425 - 25] + 0
Shopping Center 4	100 = 25% x [425 - 25] + 0
Total Equity Value	425

Example 3 – Entity Specific Debt

In this example, all of the facts described in the Base Case above are the same, except that Company C is subject to $25 of Entity Specific Debt related to Shopping Center 2, which will be assumed by the Operating Partnership upon the completion of the Formation Transactions. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 2:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	0 = 25 – 25
Shopping Center 2	-25 = 25 – 50
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	-25

In addition, by virtue of the assumption by the Operating Partnership of this Entity Specific Debt in connection with the Formation Transactions, the Total Formation Transaction Value will have decreased by the $25 value of the Entity Specific Debt from $400 to $375.

Applying the Equity Value formula reflecting these new facts and assuming that there is no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [375 - (-25)] + 0
Shopping Center 2	75 = 25% x [375 - (-25)] + (-25)
Shopping Center 3	100 = 25% x [375 - (-25)] + 0
Shopping Center 4	100 = 25% x [375 - (-25)] + 0
Total Equity Value	375

Here, through the operation of the Equity Value formula, all $25 of Company C's Entity Specific Debt has been allocated to Shopping Center 2 and has not impacted the Equity Value of the other Target Assets. However, without further adjustment, Company C and Company D, each as a 50% owner of Shopping Center 2, are equally burdened by Company C's Entity Specific Debt as show below:

	Company C	Company D
Allocated Share (unadjusted) of Equity Value before Inclusion of Entity Specific Debt:	50 = 100 x 50%	50 = 100 x 50%
Allocated Share (unadjusted) of Equity Value after Inclusion of Entity Specific Debt:	37.5 = 75 x 50%	37.5 = 75 x 50%
Decrease in Allocated Share (unadjusted) of Equity Value due to Inclusion of Entity Specific Debt:	12.5 = 50 - 37.5	12.5 = 50 - 37.5

Accordingly, by virtue of the operation of the Equity Value formula, Company C has only been allocated half ($12.5 of $25.0) of the Company C Entity Specific Debt obligation that should be allocated to Company C, and Company D has been allocated the remaining $12.5.

In order to address this inequitable allocation of Company C Entity Specific Debt , the definition of “Allocated Share” provides for an adjustment to (i) reduce the amount that would otherwise be payable to Company C by the amount by which the Entity Specific Debt exceeds the amount of such obligation that was previously allocated to Company C and (ii) increase the amount payable to Company D by the amount of the Entity Specific Debt obligation that was previously allocated to Company D, with the following outcome:

	Company A	Company B
Allocated Share (adjusted):	25 = 37.5 - 12.5	50 = 37.5 + 12.5

As a result of this adjustment to the Allocated Shares of Company C and Company D, the economic impact of all of Company C’s Entity Specific Debt will be allocated to Company C.

Example 4 – Intercompany Debt

In this example, all of the facts described in the Base Case above are the same, except that between the owners of Shopping Center 3, Company E has an Intercompany Debt obligation in the amount of $25 to Company F.

Prior to the application of the adjustments contained in the definition of Allocated Share, the Allocated Shares of the Owners of Shopping Center 3 would be as follows:

	Company E	Company F
Allocated Share (unadjusted):	50 = 100 x 50%	50 = 100 x 50%

To account for Intercompany Debt, the definition of "Allocated Share" provides an adjustment to (i) reduce the Allocated Share that would otherwise be payable to Company E by an amount equal to its indebtedness to Company F and (ii) increase the Allocated Share that would otherwise be payable to Company F by an amount equal to Company E's indebtedness to Company F, with the following outcome:

	Company E	Company F
Allocated Share (adjusted):	25 = 100 x 50% - 25	75 = 100 x 50% + 25

As a result of this adjustment to the Allocated Shares of Company E and Company F, the Intercompany Debt obligations between these entities have now been resolved.

Appendix B to Schedule III

Equity Percentage for Each Target Asset

Target Asset	Equity Percentage
Alamo Quarry Market	10.1916%
Carmel Country Plaza	4.8359%
Carmel Mountain Plaza	7.1580%
South Bay Marketplace	0.3157%
Lomas Santa Fe Plaza	6.5271%
Rancho Carmel Plaza	0.4388%
Solana Beach Towne Centre	5.6143%
The Shops at Kalakaua	0.2883%
Del Monte Center	5.7928%
Waikele Center	9.0461%
Waikiki Beach Walk	
Waikiki Beach Walk Retail	0.6668%
Embassy Suites at Waikiki Beach Walk	6.3419%
ICW Valencia/Valencia Corporate Center	1.7184%
Torrey Reserve	
ICW Plaza	2.0728%
Torrey Reserve North Court I & II	4.1456%
Torrey Reserve South Court I & II	4.7826%
Torrey Daycare	0.2370%
Torrey VC I-III	1.2492%
Existing Common Area – Future Development Parcel	0.3981%
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	2.2375%
Solana Beach Corporate Centre – III & IV	0.3116%
Solana Beach Towne Centres Investments (Vacant Land)	0.0686%
160 King Street	2.4814%
The Landmark at One Market	5.5594%
Fireman’s Fund Headquarters	9.6718%
Imperial Beach Gardens	0.6589%
Loma Palisades	2.5884%
Mariner’s Point	0.2745%
Santa Fe Park RV Resort	0.3873%
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	0.1235%
Sorrento Pointe	0.2471%
Management Company (American Assets Trust Management, LLC)	3.5690%
Total	100.0000%

Appendix C to Schedule III

Base Balance of Existing Loans
(other than Entity Specific Debt)

Target Asset	Base Balance of Existing Loan
Alamo Quarry Market	$ 98,954,256
Carmel Country Plaza	$ 10,271,191
Carmel Mountain Plaza	$ 63,554,812
South Bay Marketplace	$ 23,000,000
Lomas Santa Fe Plaza	$ 19,850,458
Rancho Carmel Plaza	$ 8,103,021
Solana Beach Towne Centre	$ 40,000,000
The Shops at Kalakaua	$ 19,000,000
Del Monte Center	$ 82,300,000
Waikele Center	$ 140,700,000
Waikiki Beach Walk	
Waikiki Beach Walk Retail	$ 145,742,438
Embassy Suites at Waikiki Beach Walk	$ 53,000,000
ICW Valencia/Valencia Corporate Center	$ 23,581,507
Torrey Reserve	
ICW Plaza	$ 43,000,000
Torrey Reserve North Court I & II	$ 22,299,822
Torrey Reserve South Court I & II	$ 13,059,008
Torrey Daycare	$ 1,673,363
Torrey VC I-III	$ 7,500,000
Existing Common Area – Future Development Parcel	$ 0
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	$ 12,000,000
Solana Beach Corporate Centre – III & IV	$ 37,330,000
Solana Beach Towne Centres Investments (Vacant Land)	$ 0
160 King Street	$ 42,223,428
The Landmark at One Market	$ 133,000,000
Fireman’s Fund Headquarters	$ 176,542,099
Imperial Beach Gardens	$ 20,000,000
Loma Palisades	$ 73,744,000
Mariner’s Point	$ 7,700,000
Santa Fe Park RV Resort	$ 1,878,876
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	$ 0
Sorrento Pointe	$ 0
Management Company (American Assets Trust Management, LLC)	$ 0
Total	$ 1,320,008,279

Appendix D to Schedule III

Entity Specific Debt

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to DHM Trust	Del Monte Center	$ 117,273.17
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,231,368.26
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pauline M. Foster, Trustee of Non-Exempt Trust C under the Stanley and Pauline Foster Trust, dated July 31, 1981	Del Monte Center	$ 527,729.26
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 377,577.46
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to American Assets, Inc.	Del Monte Center	$ 357,464.50
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Nora Kaufman	Del Monte Center	$ 34,325.00
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Parma Family Trust	Del Monte Center	$ 36,886.08
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,288,289.73
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Arsobro, LP	Del Monte Center	$ 158,971.11
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Foster Del Monte, LLC	Del Monte Center	$ 238,540.95
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Gerald I. Solomon	Del Monte Center	$ 9,534.62
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Solomon Family Partnership	Del Monte Center	$ 23,828.31
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust 2	Del Monte Center	$ 11,913.97

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 309,768.37
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to Arsobro, LP	Del Monte Center	$ 116,391.99
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to American Assets, Inc.	Del Monte Center	$ 74,233.18
Total	**Del Monte Center**	**$ 4,926,009.93**
Second Amended and Restated Promissory Note A Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Sorrento Mesa Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 6,498,716.00
Second Amended and Restated Promissory Note B Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Stonecrest Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 3,983,084.00
Total	**Waikele Center**	**$ 10,481,800.00**
Unsecured loan from ESW LLC to the Embassy Suites at Waikiki Beach Walk*	Embassy Suites at Waikiki Beach Walk	$ 14,874,102.00
Total	**Embassy Suites at Waikiki Beach Walk**	**$ 14,874,102.00**
Loan Agreement, dated as of June 29, 2010, between Bank of America, N.A. and Landmark One Market	The Landmark at One Market	$ 23,000,000.00
Total	**The Landmark at One Market**	**$ 23,000,000.00**
Unsecured loan from ICW Valencia, L.P. to certain holders of interests in ICW Plaza, L.P.	Valencia Corporate Center	$ 418,770.00
Total	**Valencia Corporate Center**	**$ 418,770.00**

* Loan not issued pursuant to a formal promissory note.

Schedule IV

Intercompany Indebtedness

Intercompany Debt		Balance Outstanding as of June 30, 2010
Unsecured loan from American Assets, Inc. to Pacific Oceanside Holdings, L.P.*	$	3,099,218
Unsecured loan from American Assets, Inc. to Kearny Mesa Business Center, L.P.*	$	854,229
Promissory Note issued December 31, 2004 by American Assets, Inc. to Del Monte Center Holdings, LP	$	1,785,680
Unsecured loan from American Assets, Inc. to Del Monte San Jose Holdings, LLC*	$	1,854,631
Unsecured loan from American Assets, Inc. to Beach Walk Holdings, L.P.*	$	2,861,766
Promissory Note issued December 31, 2004 by American Assets, Inc. to Solana Beach Towne Centre Investments, L.P.	$	2,102,154
Promissory Note issued January 31, 2007 by American Assets, Inc. to ICW Plaza, L.P.	$	7,748,809
Promissory Note issued December 31, 2004 by American Assets, Inc. to Pacific Stonecrest Holdings, L.P.	$	901,116
Promissory Note issued December 31, 2004 by American Assets, Inc. to Rancho Carmel Plaza, L.P.	$	305,370
Unsecured loan from American Assets, Inc. to Pacific Stonecrest Assets, Inc.*	$	75,093
Promissory Note issued December 31, 2009 by American Assets, Inc. to Imperial Strand, L.P.	$	1,364,104
Promissory Note issued December 31, 2004 by American Assets, Inc. to Loma Palisades, G.P.	$	1,021,324
Total	**$**	**23,973,494**
Promissory Note issued December 31, 2009 by Ernest Rady Trust U/D/T March 10, 1983, as amended, to American Assets, Inc	$	14,144,458
Promissory Note issued December 19, 2007 by Pacific American Assets Holdings, L.P., to American Assets, Inc	$	28,934,000
Promissory Note issued December 31, 2004 by Winrad Kearny Mesa Business Center, G.P. to American Assets, Inc	$	757,906
Total	**$**	**43,836,364**

Intercompany Debt	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 1,055,458.51
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 514,693.48
Total	**$ 1,570,152**

* Loan not issued pursuant to a formal promissory note.

Schedule 3.01(b)

List of Operating Partnership Subsidiaries

Owner	Ownership Interest
American Assets Trust Services, Inc.	
American Assets Trust, L.P.	100%
Vista Hacienda LLC	
American Assets Trust, L.P.	100%
Pacific Stonecrest Holdings LLC	
American Assets Trust, L.P.	100%
Rancho Carmel Plaza LLC	
American Assets Trust, L.P.	100%
Pacific Waikiki Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Pacific Oceanside Holdings LLC	
American Assets Trust, L.P.	100%
Kearny Mesa Business Center LLC	
American Assets Trust, L.P.	100%
Del Monte Center Holdings LLC	
American Assets Trust, L.P.	100%
Beach Walk Holdings LLC	
American Assets Trust, L.P.	100%
ABW Lewers Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Plaza Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Valencia LLC	
American Assets Trust, L.P.	100%
King Street Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Waikiki Beach Walk Hotel Lessee (indirect Subsidiary)	
American Assets Trust Services, Inc.	100%
Imperial Strand LLC	
American Assets Trust, L.P.	100%
Loma Palisades Merger Sub LLC	
American Assets Trust, L.P.	100%
Loma Palisades GP LLC	
American Assets Trust, L.P.	100%

Schedule 4.06

Taxes

None.

Schedule 4.08

Litigation

None.

Schedule 5.05

Excluded Assets

Excluded Assets consist of any excess of Net Working Capital over Target Net Working Capital. "Net Working Capital" means current assets minus current liabilities of the relevant entity as of a date within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow. Any Excluded Assets consisting of any excess of Net Working Capital of Target Working Capital shall be distributed or paid to Pre-Formation Participants promptly after consummation of the IPO after determination by the REIT. The REITs determination of such amount shall be final and binding on all Pre-Formation Participants.

"Target Net Working Capital" means zero with respect to all entities, other than ABW Lewers, LLC; EBW Hotel, LLC; Broadway 225 Sorrento Holdings, LLC; Broadway 225 Stonecrest Holdings, LLC; and Waikele Venture Holdings, LLC, for which Target Net Working Capital will be $5,000,000, $2,050,000, $766,500, $470,000 and $1,713,500, respectively; *provided*, *however* that if the REIT adjusts Target Net Working Capital pursuant to the proviso in the first paragraph of Schedule II, Target Net Working Capital shall be such adjusted amount.

EXHIBITS

Exhibit A: **List of American Assets Entities**

Exhibit B: **Form of Lock-Up Agreement**

Exhibit C: **Form of Tax Protection Agreement**

Exhibit D: **Form of Registration Rights Agreement**

Exhibit E: **Order of Mergers**

Exhibit F: **Operating Partnership Agreement**

Exhibit G: **Formation Transaction Documentation**

Exhibit A

List of American Assets Entities

List of Forward OP Merger Entities:

1. Solana Beach Towne Centres Investments, L.P.
2. Pacific San Jose Holdings, L.P.
3. Pacific Sorrento Mesa Holdings, L.P.
4. Hillside 104, a California limited partnership
5. Hillside 276, a California limited partnership
6. Desert Hillside Holdings, LLC
7. BWH Holdings, LLC
8. Waikele Center Holdings, LP

List of Forward REIT Merger Entities:

1. Pacific Stonecrest Assets, Inc.
2. Pacific National City Assets, Inc.
3. Western Assets, Inc.
4. Pacific Towne Centre Assets, Inc.
5. Pacific Oceanside Assets, Inc.
6. Pacific San Jose Assets, Inc.
7. KMBC Assets, Inc.
8. Hero Retail, Inc.
9. Pacific Sorrento Valley Assets I, Inc.
10. Pacific Sorrento Mesa Assets, Inc.
11. Beach Walk Assets, Inc.
12. ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]
13. ICW Valencia, Inc.
14. Pacific Torrey Reserve Assets, Inc.
15. Landmark Assets, Inc.
16. Landmark One Market, Inc.
17. Pacific Novato Assets, Inc.
18. Waikele Center Assets, Inc.

List of OP Sub Forward Merger Entities:

1. Pacific Stonecrest Holdings, L.P.
2. Rancho Carmel Plaza, a California limited partnership
3. Pacific Oceanside Holdings, L.P.
4. Kearny Mesa Business Center, a California limited partnership
5. Del Monte Center Holdings, LP
6. Beach Walk Holdings, LP
7. ICW Plaza, L.P., a California limited partnership
8. ICW Valencia, L.P.
9. Desert Oceanside Holdings, LLC
10. San Diego Loma Palisades, L.P.

List of OP Sub Reverse Merger Entities:

1. Pacific Waikiki Holdings, L.P.
2. ABW Lewers LLC
3. King Street Holdings, LP
4. Loma Palisades, a California general partnership

List of REIT Sub Forward Merger Entities:

1. Pacific Del Mar Assets, Inc.
2. Pacific Carmel Mountain Assets, Inc.
3. Pacific Solana Beach Assets, Inc.
4. Pacific Waikiki Assets, Inc.
5. King Street Assets, Inc.
6. Pacific Sorrento Valley Assets II, Inc.
7. Pacific Santa Fe Assets, Inc.

List of Contributed Entities:

1. American Assets Trust Management, LLC
2. Winrad Vista Hacienda, a California general partnership
3. Vista Hacienda, a California limited partnership
4. Pacific American Assets Holdings, L.P., a California limited partnership
5. Carmel Country Plaza, L.P.
6. Pacific Carmel Mountain Holdings, L.P.
7. Pacific National City Holdings, L.P.
8. Pacific Solana Beach Holdings, L.P.
9. Pacific San Jose Holdings, L.P.
10. Winrad Kearny Mesa Business Center, a California general partnership
11. Pacific Sorrento Valley Holdings I, L.P.
12. Pacific Sorrento Mesa Holdings, L.P.
13. Beach Walk Holdings, LP
14. ICW Plaza, L.P., a California limited partnership
15. ICW Valencia, L.P.
16. Pacific Sorrento Valley Holdings II, L.P.
17. EBW Hotel LLC
18. Imperial Strand, a California limited partnership
19. Winrad Imperial Strand, a California general partnership
20. San Diego Loma Palisades, L.P.
21. Mariner’s Point, LLC
22. Pacific Santa Fe Holdings, L.P.

Exhibit B

Form of Lock-Up Agreement

Lock-Up Agreement

_____ __, 2010

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated

One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
375 Park Avenue
New York, New York 10152

as Representatives of the several
Underwriters to be named in the
within-mentioned Underwriting Agreement

Re: Proposed Public Offering by American Assets Trust, Inc.

Dear Sirs:

The undersigned, a stockholder of American Assets Trust, Inc., a Maryland corporation (the "Company") and/or a holder of common units of partnership interest (the "Units") in American Assets Trust, LP, a Maryland limited partnership and operating subsidiary of the Company (the "Operating Partnership"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Wells Fargo Securities, LLC ("Wells Fargo") and each of the other Underwriters named in Schedule A to the Underwriting Agreement (as defined below) (collectively, the "Underwriters"), for whom Merrill Lynch and Wells Fargo are acting as representatives (in such capacity, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company and the Operating Partnership, providing for the public offering (the "Public Offering") of shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). In recognition of the benefit that the Public Offering will confer upon the undersigned as a stockholder of the Company and/or as a holder of Units in the Operating Partnership, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each Underwriter to be named in the Underwriting Agreement that, during a period of 180 days from the date of the Underwriting Agreement (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives:

(i) if the undersigned is a director or executive officer of the Company, pursuant to the establishment by the undersigned of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the Lock-Up Period; or

(ii) as a *bona fide* gift or gifts or other dispositions by will or intestacy; or

(iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iv) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the undersigned or the immediate family member of the undersigned; or

(v) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; or

(vi) as a distribution to limited partners, limited liability company members or stockholders of the undersigned; or

(vii) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned; or

(viii) to the Company upon termination of the undersigned's employment with the Company; or

(ix) to pay the exercise price of options to purchase Common Stock pursuant to the cashless exercise feature of such options; or

(x) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (ix) above,

provided that, in each case, (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers or other actions are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market after completion of the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales.

Notwithstanding the foregoing, if:

(1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day Lock-Up Period,

the Representatives may extend, by written notice to the Company, the restrictions imposed by this lock-up agreement until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the period from the date of this lock-up agreement to and including the 34th day following the expiration of the initial 180-day Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the 180-day Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

[Signature Page Follows]

Very truly yours,

Signature: _____

Print Name: _____

(Signature Page to Investor Lock-Up Agreement)

Exhibit C

Form of Tax Protection Agreement

TAX PROTECTION AGREEMENT

This TAX PROTECTION AGREEMENT (this "Agreement") is entered into as of [_____, 2010], by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), each Protected Partner identified as a signatory on Schedule I, as amended from time to time, each Guaranty Partner identified as a signatory on Schedule II, as amended from time to time, and each Non-Qualified Liability Partner identified as a signatory on Schedule III, as amended from time to time.

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities, as set forth in the Formation Transaction Documentation.

WHEREAS, the Formation Transactions relate to the proposed initial public offering of the common stock of the REIT, par value $.01 per share, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code (as defined below); and

WHEREAS, as a condition to engaging in the Formation Transactions, and as an inducement to do so, the parties hereto are entering into this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINED TERMS

For purposes of this Agreement the following terms shall apply:

Section 1.1 "50% Termination" has the meaning set forth in Section 1.40.

Section 1.2 "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Section 1.3 "Agreement" has the meaning set forth in the preamble.

Section 1.4 "Approved Liability" means either:

(a) A liability of the Operating Partnership (or of an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes) with respect to which all of the following requirements are satisfied:

(i) the liability is secured by real property or other assets (the "Collateral") owned directly or indirectly by the Operating Partnership (or by an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes);

(ii) on the date on which the Operating Partnership designated such liability as a Approved Liability, the fair market value (as reasonably determined in good faith by the Operating Partnership) of the Collateral was at least 140% times the outstanding principal amount (and any accrued and unpaid interest) of the liability and any other Approved Liabilities secured by such Collateral at such time, *provided* that if interest on such liability is not required to be paid at least annually or if the documents evidencing such liability permit the borrower to borrow additional amounts that are secured by the Collateral, the outstanding principal amount of such liability shall include the maximum amount that could be so added to the principal amount of such liability without a default, *provided*, *however*, if notwithstanding the Operating Partnership's commercially reasonable efforts, it is unable to make available the Guarantee Opportunities required by this Agreement, 130% shall be substituted for 140% as set forth above;

(iii) the liability constitutes "qualified nonrecourse financing" as defined in Section 465(b)(6) of the Code with respect to the Protected Partners;

(iv) other than guaranties by the Guaranty Partners, no other person has executed any guaranties with respect to such liability; and

(v) the Collateral does not provide security for another liability (other than another Approved Liability) that ranks senior to, or *pari passu* with, the liability described in clause (i) above.

For purposes of determining whether clause (ii) has been satisfied in situations where one or more potential Approved Liabilities are secured by more than one item of Collateral, the Operating Partnership shall allocate such liabilities among such items of Collateral in proportion to their relative fair market values (as reasonably determined in good faith by the Operating Partnership);

(b) A liability of the Operating Partnership that

(i) is not secured by any of the assets of the Operating Partnership and is a general, recourse obligation of the Operating Partnership, and

(ii) is not provided by a lender that has an interest in the Operating Partnership or is related to the Operating Partnership within the meaning of Section 465(b)(3)(C) or the Code;

(c) Solely with respect to the Non-Qualified Liability Amount for each Non-Qualified Liability Partner, the applicable Non-Qualified Liabilities; or

(d) Any other indebtedness approved by the Partners' Representative (or his successor or designee) in his sole and absolute discretion.

Section 1.5 "Closing Date" has the meaning assigned to it in the applicable Pre-Formation Transaction Documentation.

Section 1.6 "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.7 "Collateral" has the meaning set forth in the definition of "Approved Liability."

Section 1.8 "Debt Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.9 "Debt Notification Event" means, with respect to an Approved Liability, any transaction in which such liability shall be refinanced, otherwise repaid (excluding for this purpose, scheduled payments of principal occurring prior to the maturity date of such liability), or guarantied by any of the REIT, the Operating Partnership, or one or more of their Affiliates, or guarantied by one or more partners of the Operating Partnership.

Section 1.10 "Exchange" has the meaning set forth in Section 2.1(b).

Section 1.11 "Formation Transaction Documentation" means all of the agreements and plans of merger and contribution agreements, substantially in the forms accompanying the Request for Consent and Private Placement Memorandum dated July [__], 2010, pursuant to which all or a portion of the equity interests in certain specified entities are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

Section 1.12 "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

Section 1.13 "Fundamental Transaction" means a merger, consolidation or other combination of the Operating Partnership with or into any other entity, a transfer of all or substantially all of the assets of the Operating Partnership, any reclassification, recapitalization or change of the outstanding equity interests of the Operating Partnership, or a conversion of the Operating Partnership into another form of entity.

Section 1.14 "Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.15 "Guarantied Liability" means any Approved Liability or Non-Qualified Liability that is guarantied, in whole or in part, by one or more Guaranty Partners or Non-Qualified Liability Partner, as applicable, in accordance with this Agreement.

Section 1.16 "Guaranty Partner" means: (i) each signatory on Schedule II attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Guaranty Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units; and (iii) with respect to a Guaranty Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.4 with respect to such Guaranty Partner, any person who (y) holds an interest in such Guaranty Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Guaranty Partner in its own gross income.

Section 1.17 "Guaranty Permissible Liability" means a liability with respect to which the lender permits a guaranty.

Section 1.18 "Guaranty Opportunity" has the meaning set forth in Section 2.4(b).

Section 1.19 "Make Whole Amount" means: (a) with respect to any Protected Partner that recognizes gain under Section 704(c) of the Code as a result of a Tax Protection Period Transfer, *the sum of* (i) *the product of* (x) the income and gain recognized by such Protected Partner under Section 704(c) of the Code in respect of such Tax Protection Period Transfer (taking into account any adjustments under Section 743 of the Code to which such Protected Partner is entitled) *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Protected Partner as a result of the receipt by a Protected Partner of a payment under Section 2.2 (the "Gross Up Amount"); *provided*, *however*, that the Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Protected Partner might have that would reduce its actual tax liability; and (b) with respect to any Guaranty Partner or Non-Qualified Liability Partner that recognizes gain as a result of a breach by the Operating Partnership of the provisions of Section 2.4 or Section 2.5 hereof, *the sum of* (i) *the product of* (x) the income and gain recognized by such Guaranty Partner or Non-Qualified Liability Partner by reason of such breach, *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Guaranty Partner or Non-Qualified Liability Partner as a result of the receipt by a Guaranty Partner or Non-Qualified Liability Partner of a payment under Section 2.4 or Section 2.5 (the "Debt Gross Up Amount"); *provided*, *however*, that the Debt Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Guaranty Partner or Non-Qualified Liability Partner might have that would reduce its actual tax liability. For purposes of calculating the amount of Section 704(c) gain that is allocated to a Protected Partner, (i) subject to clause (ii) below, any "reverse Section 704(c) gain" allocated to such partner pursuant to Treasury Regulations § 1.704-3(a)(6) shall not be taken into account, and (ii) if, as a result of adjustments to the Gross Asset Value (as defined in the OP Agreement) of the Protected Properties pursuant to clause (b) of the definition of Gross Asset Value as set forth in the OP Agreement, all or a portion of the gain recognized by the Operating Partnership that would have been Section 704(c) gain without regard to such adjustments becomes or is treated as "reverse Section 704(c) gain" or Section 704(b) gain under Section 704 of the Code, then such gain shall continue to be treated as Section 704(c) gain;

provided that the total amount of 704(c) gain and income taken into account for purpose of calculating the Make Whole Amount shall not exceed the initial Section 704(c) gain amount as of the Closing Date (whether or not equal to the estimated amount set forth on Exhibit B).

Section 1.20 "Make Whole Tax Rate" means, with respect to a Protected Partner who is entitled to receive a payment under Section 2.2 and with respect to a Guaranty Partner or Non-Qualified Liability Partner who is entitled to receive payment under Section 2.4 or Section 2.5, the highest combined statutory Federal, state and local tax rate in respect of the income or gain that gave rise to such payment, taking into account the character of the income and gain in the hands of such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable (reduced, in the case of Federal taxes, by the deduction allowed for income taxes paid to a state or locality), for the taxable year in which the event that gave rise to such payment under Section 2.2, Section 2.4 or Section 2.5 occurred. Notwithstanding the foregoing, if a Protected Partner, Guaranty Partner or Non-Qualified Liability Partner demonstrates to the reasonable satisfaction of the Operating Partnership that such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable, is not entitled to a Federal income tax deduction for all or a portion of the income taxes paid to a state or locality, the Make Whole Tax Rate applicable to such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner shall be reduced only by the deduction, if any, the Protected Partner, Guaranty Partner or Non-Qualified Liability Partner is entitled to take for such taxes.

Section 1.21 "Non-Qualified Liability" means each of the liabilities set forth on Exhibit D.

Section 1.22 "Non-Qualified Liability Amount" means the amount shown in the column labeled "Non-Qualified Liability Amount" for each Non-Qualified Liability listed below each Non-Qualified Liability Partner's name in Exhibit E.

Section 1.23 "Non-Qualified Liability Period" means the period commencing on the Closing Date and ending on the second anniversary of the Closing Date.

Section 1.24 "Non-Qualified Liability Partner" means: (i) each signatory on Schedule III attached hereto, as amended from time to time; and (ii) any person who holds OP Units and who acquired such OP Units from another Non-Qualified Liability Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units.

Section 1.25 "OP Agreement" means the Agreement of Limited Partnership of American Assets Trust, L.P., as amended from time to time.

Section 1.26 "OP Units" means common units of partnership interest in the Operating Partnership.

Section 1.27 "Operating Partnership" has the meaning set forth in the preamble.

Section 1.28 "Partners' Representative" means Ernest Rady and his executors, administrators or permitted assigns.

Section 1.29 "Pass Through Entity" means a partnership, grantor trust, or S corporation for Federal income tax purposes.

Section 1.30 "Permitted Disposition" means a sale, exchange or other disposition of OP Units (i) by a Protected Partner or Guaranty Partner: (a) to such Protected Partner's or Guaranty Partner's children, spouse or issue; (b) to a trust for such Protected Partner or Guaranty Partner or such Protected Partner's or Guaranty Partner's children, spouse or issue; (c) in the case of a trust which is a Protected Partner or Guaranty Partner, to its beneficiaries, or any of them, whether current or remainder beneficiaries; (d) to a revocable *inter vivos* trust of which such Protected Partner or Guaranty Partner is a trustee; (e) in the case of any partnership or limited liability company which is a Protected Partner or Guaranty Partner, to its partners or members; and/or (f) in the case of any corporation which is a Protected Partner or Guaranty Partner, to its shareholders, and (ii) by a party described in clauses (a), (b), (c) or (d) to a partnership, limited liability company or corporation of which the only partners, members or shareholders, as applicable, are parties described in clauses (a), (b), (c) or (d); *provided*, that for purposes of the definition of Tax Protection Period, such Protected Partner or Guaranty Partner shall be treated as continuing to own any OP Units which were subject to a Permitted Disposition unless and until there has been a sale, exchange or other disposition of such OP Units by a permitted transferee which is not another Permitted Disposition.

Section 1.31 "Person" means an individual or a corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

Section 1.32 "Protected Partner" means: (i) each signatory on Schedule I attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Protected Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Protected Partner in such OP Units; and (iii) with respect to a Protected Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.2 with respect to such Protected Partner, any person who (y) holds an interest in such Protected Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Protected Partner in its own gross income.

Section 1.33 "Protected Property" means each property identified on Exhibit A hereto and each property acquired in Exchange for a Protected Property as set forth in Section 2.1(b).

Section 1.34 "Representation, Warranty and Indemnity Agreement" means that certain Representation, Warranty and Indemnity Agreement, made and entered into as of [ ], 2010, by and amount the REIT, the Operating Partnership and Ernest Rady Trust U/D/T March 10, 1983, as amended.

Section 1.35 "Required Liability Amount" means, with respect to each Guaranty Partner, 110% of such Guaranty Partner's estimated "negative tax capital account" as of the Closing Date, a current estimate of which is set forth on Exhibit C hereto for each such Guaranty Partner.

Section 1.36 "REIT" has the meaning set forth in the preamble.

Section 1.38 "Section 2.4 Notice" has the meaning set forth in Section 2.4(c).

Section 1.39 "Section 2.5 Notice" has the meaning set forth in Section 2.5(c).

Section 1.40 "Tax Protection Period" means the period commencing on the Closing Date and ending on the seventh (7th) anniversary of the Closing Date; *provided*, *however*, that such period shall end with respect to any Protected Partner or Guaranty Partner to the extent that such Partner owns less than fifty percent (50%) of the OP Units originally received by the Protected Partner or Guaranty Partner in the Formation Transactions, disregarding the sale, exchange or other disposition of any such OP Units sold, exchanged or otherwise disposed of by the Protected Partner or Guaranty Partner in a Permitted Disposition (such an event, a "50% Termination"); *provided further, however*, that notwithstanding the forgoing, the Tax Protection Period will terminate for all Protected Partners and Guaranty Partners upon the later of the death of Ernest Rady and the death of his wife.

Section 1.41 "Tax Protection Period Transfer" has the meaning set forth in Section 2.1(a).

Section 1.42 "Transfer" means any direct or indirect sale, exchange, transfer or other disposition, whether voluntary or involuntary.

Section 1.43 "Treasury Regulations" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II

TAX PROTECTIONS

Section 2.1 Taxable Transfers.

(a) Unless the Partners' Representative expressly consents in writing to a Tax Protection Period Transfer (for the avoidance of doubt, no vote in favor of a Tax Protection Period Transfer by the Partners' Representative or any of its Affiliates or by a Protected Partner, in each case in its capacity as owner shares of the REIT or OP Units, shall constitute consent), during the Tax Protection Period, the Operating Partnership shall indemnify the Protected Partners as set forth in Section 2.2 if the Operating Partnership or any entity in which the Operating Partnership holds a direct or indirect interest shall cause or permit (i) any Transfer of all or any portion of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property) in a transaction that would result in the recognition of taxable income or gain by any Protected Partner under Section 704(c) of the Code, or (ii) any Fundamental Transaction that would result in the recognition of taxable income or gain to any Protected Partner (a Fundamental Transaction and a Transfer, collectively a "Tax Protection Period Transfer").

(b) Section 2.1(a) shall not apply to any Tax Protection Period Transfer of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property): (i) in a transaction in which no gain is required to be recognized by a Protected Partner (an "Exchange"), including a transaction qualifying under Section 1031 or Section 721 (or any successor statutes) of the Code; *provided*, *however*, that any property acquired by the Operating Partnership in the Exchange shall remain subject to the provisions of this Article II in place of the exchanged Protected Property for the remainder of the Tax Protection Period; (ii) as a result of the condemnation or other taking of any Protected Property by a governmental entity in an eminent domain proceeding or otherwise, provided that the Operating Partnership shall use commercially reasonable efforts to structure such disposition as either a tax-free like-kind exchange under Section 1031 or a tax-free reinvestment of proceeds under Section 1033, provided that in no event shall the Operating Partnership be obligated to acquire or invest in any property that it otherwise would not have acquired or invested in.

(c) For any taxable Transfer of all or any portion of any property of the Operating Partnership which is not a Tax Protection Period Transfer, the Operating Partnership shall use commercially reasonable efforts to cooperate with the Limited Partners to minimize any taxes payable by the Limited Partners in connection with any such Transfers.

Section 2.2 Indemnification for Taxable Transfers.

(a) In the event of a Tax Protection Period Transfer described in Section 2.1(a), each Protected Partner shall, within 30 days after the closing of such Tax Protection Period Transfer, receive from the Operating Partnership an amount of cash equal to the estimated Make Whole Amount applicable to such Tax Protection Period Transfer. If it is later determined that the true Make Whole Amount applicable to a Protected Partner exceeds the estimated Make Whole Amount applicable to such Protected Partner, then the Operating Partnership shall pay such excess to such Protected Partner within 90 days after the closing of the Tax Protection Period Transfer, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Protected Partner shall promptly refund such excess to the Operating Partnership, but only to the extent such excess was actually received by such Protected Partner.

(b) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Protected Partner under Section 2.1(a) shall be a claim against the Operating Partnership for the Make Whole Amount as set forth in this Section 2.2, and no Protected Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.1(a) or bring a claim against any person that acquires a Protected Property from the Operating Partnership in violation of Section 2.1(a).

Section 2.3 Section 704(c) Gains. A good faith estimate of the initial amount of Section 704(c) gain allocable to each Protected Partner as of the Closing Date of each OP Merger is set forth on Exhibit B hereto. The parties acknowledge that the initial amount of such Section 704(c) gain may be adjusted over time as required by Section 704(c) of the Code and the Regulations promulgated thereunder.

Section 2.4 Approved Liability Maintenance and Allocation.

(a) During the Tax Protection Period, the Operating Partnership shall: (1) maintain on a continuous basis an amount of Approved Liabilities at least equal to the Required Liability Amount; and (2) provide the Partners' Representative, promptly upon request, with a description of the nature and amount of any Approved Liabilities that are available to be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall not be required to maintain any amount of Approved Liabilities in excess of the aggregate Required Liability Amount of all Guaranty Partners.

(b) (i) During the Tax Protection Period, the Operating Partnership shall provide each Guaranty Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of one or more Approved Liabilities that are Guaranty Permissible Liabilities in an amount up to such Guaranty Partner's Required Liability Amount (each such opportunity and each opportunity required by Section 2.4(c), Section 2.5(b),and Section 2.5(c), a "Guaranty Opportunity"), and (ii) after the Tax Protection Period, and for so long as a Guaranty Partner has not had a 50% Termination, the Operating Partnership shall use commercially reasonable efforts to make Guaranty Opportunities available to each Guaranty Partner, provided that in the case of this clause (ii), the Operating Partnership shall not be required to incur any indebtedness that it would not otherwise have incurred, as determined by the Operating Partnership in its reasonable discretion; *provided*, *however*, that in the case of clauses (i) and (ii) the aggregate amount of all guaranties required to be made available by the Operating Partnership for execution by all Guaranty Partners need not exceed the aggregate Required Liability Amount of all Guaranty Partners. The Operating Partnership shall have the discretion to identify the Approved Liability or Approved Liabilities that shall be made available for guaranty by each Guaranty Partner. Each Guaranty Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Guaranty Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any debt subject to a Guaranty to the applicable Guaranty Partners. Each Guaranty Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Guaranty Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Guaranty Partner.

(c) During the Tax Protection Period, the Operating Partnership shall not allow a Debt Notification Event to occur unless the Operating Partnership provides at least thirty (30) days' written notice (a "Section 2.4 Notice") to each Guaranty Partner that may be affected thereby. The Section 2.4 Notice shall describe the Debt Notification Event and designate one or more Approved Liabilities that may be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement in an amount equal to the amount of the refinanced or repaid Approved Liability that was guarantied by such Guaranty Partner immediately prior to the date of the refinancing or repayment. Any Guaranty Partner that desires to execute a guaranty following the receipt of a Section 2.4 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.4 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.4(a), (b) and (c) of this Agreement, it shall have no liability to a Guaranty Partner

under Section 2.4(e) for breach of Section 2.4, whether or not such Guaranty Partner accepts its Guaranty Opportunity. Furthermore, the Operating Partnership makes no representation or warranty to any Guaranty Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Guaranty Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.4 or an act or omission that is indemnifiable under Section 2.4(e) of this Agreement).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.4, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Guaranty Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Guaranty Partner exceeds the estimated Make Whole Amount applicable to such Guaranty Partner, then the Operating Partnership shall pay such excess to such Guaranty Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Guaranty Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Guaranty Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Guaranty Partner for a breach or violation of the covenants set forth in Section 2.4 shall be a claim a claim against the Operating Partnership for the Make Whole Amount as set forth in Section 2.4(e), and no Guaranty Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.4.

(g) Notwithstanding any provision of this Section 2.4 to the contrary, to the extent a Guaranty Partner is also a Non-Qualified Liability Partner that has guaranteed Non-Qualified Liabilities pursuant to Section 2.5, the amount of such guaranteed liabilities shall be treated as the Operating Partnership's satisfaction of that amount of its obligation to provide a Guaranty Opportunity under this Section 2.4, and such liabilities shall be treated as an Approved Liability for purposes of this Section 2.4, including for purposes of determining whether a Section 2.4 Notice and substitute Approved Liability are required.

Section 2.5 Non-Qualified Liability Maintenance and Allocation.

(a) During the Non-Qualified Liability Period, the Operating Partnership shall not repay any Non-Qualified Liability (excluding any scheduled payments of principal occurring pursuant to the terms of such Non-Qualified Liability) which has been guarantied by a Non-Qualified Liability Partner pursuant to Section 2.5(b) unless: (i) the Operating Partnership repays such Non-Qualified Liability with proceeds generated by its incurrence of other liabilities which each such Non-Qualified Liability Partner is offered an opportunity to guaranty; or (ii) the Partners' Representative consents in writing to such repayment.

(b) During the Non-Qualified Liability Period, the Operating Partnership shall use commercially reasonable efforts to provide each Non-Qualified Liability Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of each Non-Qualified Liability listed below such Non-Qualified Liability Partner's name in Exhibit E in an amount up to such Non-Qualified Liability Partner's Non-Qualified Liability Amount. Each Non-Qualified Liability Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Non-Qualified Liability Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any Guarantied Liability to the applicable Non-Qualified Liability Partners. Each Non-Qualified Liability Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Non-Qualified Liability Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Non-Qualified Liability Partner.

(c) During the Non-Qualified Liability Period, if the Operating Partnership intends to repay any Non-Qualified Liability with proceeds generated by its incurrence of other liabilities as provided in Section 2.5(a)(i), the Operating Partnership shall provide at least thirty (30) days' written notice (a "Section 2.5 Notice") to each Non-Qualified Liability Partner that may be affected thereby. The Section 2.5 Notice shall describe which Non-Qualified Liability is being repaid and the nature and amount of the liability, if any, being incurred to repay such Non-Qualified Liability. The Operating Partnership shall use commercially reasonable efforts to make available to each affected Non-Qualified Liability Partner the opportunity to guaranty any such newly-incurred liability in the same manner as provided in Section 2.5(b) in an amount equal to the amount of the repaid Non-Qualified Liability that was guarantied by such Non-Qualified Liability Partner immediately prior to the date of the repayment. Any Non-Qualified Liability Partner that desires to execute a guaranty following the receipt of a Section 2.5 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.5 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.5(a), (b) and (c) of this Agreement, it shall have no liability to any Non-Qualified Liability Partner for breach of Section 2.5, whether or not such Non-Qualified Liability Partner accepts its Guaranty Opportunity. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall have no liability to any Non-Qualified Liability Partner if the Operating Partnership is unable, despite its commercially reasonable efforts, to provide each Non-Qualified Liability Partner with the opportunity to guaranty a Non-Qualified Liability. Furthermore, the Operating Partnership makes no representation or warranty to any Non-Qualified Liability Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Non-Qualified Liability Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.5).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.5, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Non-Qualified Liability Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Non-Qualified Liability Partner exceeds the estimated Make Whole Amount applicable to such Non-Qualified Liability Partner, then the Operating Partnership shall pay such excess to such Non-Qualified Liability Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Non-Qualified Liability Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Non-Qualified Liability Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, no Non-Qualified Liability Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.5.

Section 2.7 Dispute Resolution. Any controversy, dispute, or claim of any nature arising out of, in connection with, or in relation to the interpretation, performance, enforcement or breach of this Agreement (and any closing document executed in connection herewith) shall be governed by Section 5.08 of the Representation, Warranty and Indemnity Agreement.

ARTICLE III

GENERAL PROVISIONS

Section 3.1 Notices. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms of this Agreement shall be given in the same manner as in the OP Agreement.

Section 3.2 Titles and Captions. All Article or Section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” and “Sections” are to Articles and Sections of this Agreement.

Section 3.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 3.4 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain form taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 3.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 3.6 Creditors. Other than as expressly set forth herein, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Operating Partnership.

Section 3.7 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any covenant, duty, agreement or condition.

Section 3.8 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.9 Applicable Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California, without regard to the principles of conflicts of law.

Section 3.10 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of other remaining provisions contained herein shall not be affected thereby.

Section 3.11 Entire Agreement. This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and amends, restates and supersedes the OP Agreement and any other prior written or oral understandings or agreements among them with respect thereto.

Section 3.12 No Rights as Stockholders. Nothing contained in this Agreement shall be construed as conferring upon the holders of the OP Units any rights whatsoever as stockholders of the REIT, including, without limitation, any right to receive dividends or other distributions made to stockholders of the REIT or to vote or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the REIT or any other matter.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

REIT:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: _____
Name: _____
Title: _____

OPERATING PARTNERSHIP:

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.
a Maryland corporation,
Its General Partner

By: _____
Name: _____
Title : _____

SCHEDULE I

PROTECTED PARTNERS

See attached.

SCHEDULE II

GUARANTY PARTNERS

See attached.

SCHEDULE III

NON-QUALIFIED LIABILITY PARTNERS

See attached.

EXHIBIT A

PROTECTED PROPERTIES

Property Name
Carmel Country Plaza
Carmel Mountain Plaza
Del Monte Center
ICW Plaza
Loma Palisades
Lomas Santa Fe Plaza
Waikele Center

EXHIBIT B

ESTIMATED ALLOCATIONS OF SECTION 704(c) GAIN

See attached.

EXHIBIT C

REQUIRED LIABILITY AMOUNT

See attached.

EXHIBIT D

NON-QUALIFIED LIABILITIES

See attached.

EXHIBIT E

NON-QUALIFIED LIABILITY AMOUNT

See attached.

EXHIBIT F

FORM OF GUARANTY

See attached.

Exhibit D

Form of Registration Rights Agreement

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [_____], 2010 by and among American Assets Trust, Inc., a Maryland corporation (the "Company"), and the holders listed on Schedule I hereto (each an "Initial Holder" and, collectively, the "Initial Holders").

RECITALS

WHEREAS, in connection with the initial public offering (the "IPO") of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), the Company and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), have concurrently engaged in certain formation transactions (the "Formation Transactions"), pursuant to which the Initial Holders have concurrently received, in exchange for their (or certain related parties') respective interests in the entities participating in the Formation Transactions or in exchange for services rendered, (i) common units of limited partnership interest in the Operating Partnership ("Common OP Units") and/or (iii) shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions contained in the Operating Partnership Agreement (as defined below), Common OP Units will be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock;

WHEREAS, as a condition to receiving the consent of the Initial Holders to the Formation Transactions, the Company has agreed to grant the Initial Holders and their permitted assignees and transferees the registration rights set forth in Article II hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the definitions set forth above, the following terms, as used herein, have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Registration Rights Agreement, as it may be amended, supplemented or restated from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, New York or San Diego, California are authorized by law to close.

"Charter" means the Articles of Amendment and Restatement of the Company as filed with the Secretary of State of the State of Maryland on [_____], 2010, as the same may be amended, modified or restated from time to time.

"Commission" means the Securities and Exchange Commission.

"Company Piggy-Back Registration" has the meaning set forth in Section 2.1(a).

"Effectiveness Period" has the meaning set forth in Section 2.4(b).

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

"Exchangeable Common OP Units" means Common OP Units which may be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock pursuant to the Operating Partnership Agreement (without regard to any limitations on the exercise of such exchange right as a result of the Ownership Limit Provisions).

"Holder" means (i) any Initial Holder who is the record or beneficial owner of any Registrable Security or (ii) any assignee or transferee of such Initial Holder (including assignments or transfers of Registrable Securities to such assignees or transferees as a result of the foreclosure on any loans secured by such Registrable Securities) (x) to the extent permitted under the Operating Partnership Agreement or the Charter, as applicable, and (y) provided such assignee or transferee agrees in writing to be bound by all the provisions hereof.

"Indemnified Party" has the meaning set forth in Section 2.10.

"Indemnifying Party" has the meaning set forth in Section 2.10.

"Initial Period" means a period commencing on the date hereof and ending 365 days following the effective date of the first Resale Shelf Registration Statement (except that, if the shares of Common Stock issuable upon exchange of Exchangeable Common OP Units received in the Formation Transactions are not included in that Resale Shelf Registration Statement as a result of Section 2.4(b), the 365 days shall not begin until the later of the effective date of (i) the first Resale Shelf Registration Statement and (ii) the first Issuer Shelf Registration Statement).

"Issuer Shelf Registration Statement" has the meaning set forth in Section 2.4(b).

"Market Value" means, with respect to the Common Stock, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date of a written request for registration pursuant to Section 2.1(a). The market price for each such

trading day shall be: (i) if the Common Stock is listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, in either case as reported in the principal consolidated transaction reporting system, (ii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the Company, or (iii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Market Value of the Common Stock shall be determined by the Board of Directors of the Company acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"Notice and Questionnaire" means a written notice, substantially in the form attached as Exhibit A, delivered by a Holder to the Company (i) notifying the Company of such Holder's desire to include Registrable Securities held by it in a Resale Shelf Registration Statement, (ii) containing all information about such Holder required to be included in such registration statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto, and (iii) pursuant to which such Holder agrees to be bound by the terms and conditions hereof.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of [_____], 2010, as the same may be amended, modified or restated from time to time.

"Ownership Limit Provisions" mean the various provisions of the Company's Charter set forth in Article [__] thereof restricting the ownership of Common Stock by Persons to specified percentages of the outstanding Common Stock.

"Person" means an individual or a corporation, partnership, limited liability company, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Rady Demand Registration" has the meaning set forth in Section 2.1(a).

"Rady Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Rady Holder" means a Holder that is Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or

the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns.

"Rady Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Registrable Securities" means with respect to any Holder, shares of Common Stock owned, either of record or beneficially, by such Holder that were (a) received by such Holder or an Initial Holder in the Formation Transactions, (b) acquired by such Holder or an Initial Holder directly from the Underwriters or the Company in the IPO, in each case in a transaction disclosed in the registration statement relating to the IPO, (c) issued or issuable upon exchange of Exchangeable Common OP Units received by such Holder or an Initial Holder in the Formation Transactions, (d) solely in the case of any Rady Holder, any Common Stock acquired by such Rady Holder in the open market after the date hereof and prior to the first (1st) anniversary of the date hereof, and, (e) in the case of (a), (b), (c) and (d), any additional shares of Common Stock issued as a dividend or distribution on, in exchange for, or otherwise in respect of, such shares (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or otherwise).

As to any particular Registrable Securities, they shall cease to be Registrable Securities at the earliest time as one of the following shall have occurred: (i) a registration statement (including a Resale Shelf Registration Statement) covering such shares has been declared effective by the Commission and all such shares have been disposed of pursuant to such effective registration statement or unless such shares (other than Restricted Shares) were issued pursuant to an effective registration statement (including an Issuer Shelf Registration Statement), (ii) such shares have been publicly sold under Rule 144, (iii) all such shares may be sold in one transaction pursuant to Rule 144 or (iv) such shares have been otherwise transferred in a transaction that constitutes a sale thereof under the Securities Act, the Company has delivered to the Holder's transferee a new certificate or other evidence of ownership for such shares not bearing the Securities Act restricted stock legend and such shares subsequently may be resold or otherwise transferred by such transferee without registration under the Securities Act.

"Registration Expenses" shall have the meaning set forth in Section 2.2.

"Resale Shelf Registration" shall have the meaning set forth in Section 2.4(a).

"Resale Shelf Registration Statement" shall have the meaning set forth in Section 2.4(a).

"Restricted Shares" means shares of Common Stock issued under an Issuer Shelf Registration Statement which if sold by the holder thereof would constitute "restricted securities" as defined under Rule 144.

"Rule 144" means Rule 144 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Rule 415" means Rule 415 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Securities Act" means the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act pursuant to the terms hereof.

"Shelf Registration Statement" means a Resale Shelf Registration Statement and/or an Issuer Shelf Registration Statement.

"Suspension Notice" means any written notice delivered by the Company pursuant to Section 2.14 with respect to the suspension of rights under a Resale Shelf Registration Statement or any prospectus contained therein.

"Underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

ARTICLE II
REGISTRATION RIGHTS

Section 2.1. Underwritten Demand Registration.

(a) Commencing on or after the date that is three hundred sixty five (365) days after the consummation date of the IPO and until such time as a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) has been declared effective, or if at any time on or after the date that is sixteen (16) months after the consummation date of the IPO, a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) shall not be effective, the majority in interest of the Rady Holder(s) may make written requests to the Company for one or more registrations of underwritten offerings under the Securities Act of all or part of their Common Stock constituting Registrable Securities (a "Rady Demand Registration"). The Company shall prepare and file a registration statement on an appropriate form with respect to any Rady Demand Registration (the "Rady Demand Registration Statement") and shall use its reasonable efforts to cause the Rady Demand Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof. Any request for a Rady Demand Registration will specify the number of shares of Registrable Securities proposed to be sold in the underwritten offering. The Company shall have the opportunity to register such number of shares of Common Stock as it may elect on the Rady Demand Registration Statement and as part of the same underwritten offering in connection with a Rady Demand Registration (a "Company Piggy-Back Registration"). Unless a majority in interest of the Rady Holders participating in such Rady Demand Registration shall consent in writing, no party, other than the Company, shall be permitted to offer securities in connection with any such Rady Demand Registration.

(b) Underwriters. The Company shall select the book-running managing Underwriter in connection with any Rady Demand Registration; provided that such managing Underwriter must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration. The Company may select any additional investment banks and managers to be used in connection with the offering; provided that such additional investment bankers and managers must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration.

Section 2.2. Piggy-Back Registration. If the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock by the Company for its own account (other than (i) any registration statement filed in connection with a demand registration by a party other than a Rady Holder or (ii) a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission) or filed in connection with an exchange offer or offering of securities solely to the Company's existing securityholders), then the Company shall give written notice of such proposed filing to the Rady Holders as soon as practicable (but in no event less than ten (10) days before the anticipated filing date), and such notice shall offer such Rady Holders the opportunity to register such number of shares of Registrable Securities as each such Rady Holder may request (a "Rady Piggy-Back Registration"); provided, that if and so long as a Shelf Registration Statement is on file and effective, then the Company shall have no obligation to effect a Rady Piggy-Back Registration. The Company shall use its commercially reasonable efforts to cause the managing Underwriter(s) of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Rady Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company included therein.

Section 2.3. Reduction of Offering. Notwithstanding anything contained in Sections 2.1 and 2.2, if the managing Underwriter(s) of an offering described in Section 2.1 or 2.2 advise in writing the Company and the Rady Holders that the size of the intended offering is such that the success of the offering would be significantly and adversely affected by inclusion of (i) the Registrable Securities requested to be included by the Rady Holders in a Rady Piggy-Back Registration or (ii) the Common Stock requested to be included by the Company in a Rady Demand Registration/Company Piggy-Back Registration, then: (x) in the case of a Rady Demand Registration/ Company Piggy-Back Registration, the amount of the Common Stock to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering; and (y) in the case of a Rady Piggy-Back Registration, the amount of securities to be offered for the accounts of Rady Holders shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Rady Holders shall not be reduced to less than thirty percent (30%) of the total number of securities to be included in such offering.

Section 2.4. Shelf Registration.

(a) Subject to Section 2.14, the Company shall prepare and file not later than fourteen (14) months after the consummation date of the IPO, a "shelf" registration statement with respect to the resale of the Registrable Securities ("Resale Shelf Registration") by the Holders thereof on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration Statement") and permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Resale Shelf Registration Statement. The Company shall use its reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof, and, subject to Sections 2.4(d) and 2.14, to keep such Resale Shelf Registration Statement continuously effective for a period ending when all shares of Common Stock covered by the Resale Shelf Registration Statement are no longer Registrable Securities.

At the time the Resale Shelf Registration Statement is declared effective, each Holder that has delivered a duly completed and executed Notice and Questionnaire to the Company on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of Registrable Securities in accordance with applicable law. If required by applicable law, subject to the terms and conditions hereof, after effectiveness of the Resale Shelf Registration Statement, the Company shall file a supplement to such prospectus or amendment to the Resale Shelf Registration Statement not less than once a quarter as necessary to name as selling securityholders therein any Holders that provide to the Company a duly completed and executed Notice and Questionnaire and shall use reasonable efforts to cause any post-effective amendment to such Resale Shelf Registration Statement filed for such purpose to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof.

(b) The Company may, at its option, satisfy its obligation to prepare and file a Resale Shelf Registration Statement pursuant to Section 2.4(a) with respect to shares of Common Stock issuable upon exchange of Exchangeable Common OP Units by preparing and filing with the Commission not later than fourteen (14) months after the consummation date of the IPO a registration statement on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (an "Issuer Shelf Registration Statement") providing for (i) the issuance by the Company, from time to time, to the Holders of such Exchangeable Common OP Units, of shares of Common Stock registered under the Securities Act (the "Primary Shares") and (ii) to the extent such Primary Shares constitute Restricted Shares, the registered resale thereof by their Holders from time to time in accordance with the methods of distribution elected by the Holders and set forth therein (but except as provided in Section 2.4(c) below, not an underwritten offering). The Company shall use its reasonable efforts to cause the Issuer Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after filing thereof and, subject to Sections 2.4(d) and 2.14, to keep the Issuer Shelf Registration Statement continuously effective for a period (the "Effectiveness Period") expiring on the date all of the shares of Common Stock covered by such Issuer Shelf Registration Statement have been issued by the Company pursuant thereto or are no longer Registrable Securities. If the Company shall exercise its rights under this Section 2.4(b), Holders (other than Holders of Restricted Shares) shall have

no right to have shares of Common Stock issued or issuable upon exchange of Exchangeable Common OP Units included in a Resale Shelf Registration Statement pursuant to Section 2.4(a).

(c) Underwritten Registered Resales. Any offering under a Resale Shelf Registration Statement or by Holders under an Issuer Shelf Registration Statement shall be underwritten at the written request of Holders of Registrable Securities under such registration statement that hold in the aggregate at least ten percent 10% of the Registrable Securities originally issued in the Formation Transactions (provided, that the Registrable Securities requested to be registered in such underwritten offering shall either (i) have a Market Value of at least $25,000,000 on the date of such request or (ii) shall represent all remaining Registrable Securities held by all Rady Holders and shall have a Market Value of at least $10,000,000 on the date of such request; provided, further, that the Company shall not be obligated to effect more than three (3) underwritten offerings under this Section 2.4(c); and provided, further, that the Company shall not be obligated to effect, or take any action to effect, an underwritten offering (i) within 120 days following the last date on which an underwritten offering was effected pursuant to this Section 2.4(c) or Section 2.1(a) or during any lock-up period required by the Underwriters in any prior underwritten offering conducted by the Company on its own behalf or on behalf of selling stockholders, or (ii) during the period commencing with the date thirty (30) days prior to the Company's good faith estimate of the date of filing of (provided the Company is actively employed in good faith commercially reasonable efforts to file such registration statement), and ending on a date ninety (90) days after the effective date of, a registration statement with respect to an offering by the Company. Any request for an underwritten offering hereunder shall be made to the Company in accordance with the notice provisions of this Agreement.

(d) Subsequent Filing. The Company shall prepare and file such additional registration statements as necessary every three (3) years and use its reasonable efforts to cause such registration statements to be declared effective by the Commission so that a Shelf Registration Statement remains continuously effective, subject to Section 2.14, with respect to resales of Registrable Securities as and for the periods required under Section 2.4(a) or (b), as applicable (such subsequent registration statements to constitute a Resale Shelf Registration Statement or an Issuer Shelf Registration Statement, as the case may be, hereunder).

(e) Selling Holders Become Party to Agreement. Each Holder acknowledges that by participating in its registration rights pursuant to this Agreement, such Holder will be deemed a party to this Agreement and will be bound by its terms, notwithstanding such Holder's failure to deliver a Notice and Questionnaire; provided, that any Holder that has not delivered a duly completed and executed Notice and Questionnaire shall not be entitled to be named as a Selling Holder in, or have the Registrable Securities held by it covered by, a Shelf Registration Statement.

Section 2.5. Reduction of Offering. Notwithstanding anything contained herein, if the managing Underwriter(s) of an offering described in Section 2.4(c) advise in writing the Company and the Holder(s) of the Registrable Securities included in such offering that the size of the intended offering is such that the success of the offering would be significantly adversely

affected by inclusion of all the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders shall be reduced pro rata (according to the Registrable Securities requested for inclusion) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s) but in priority to any securities proposed to be sold by any other holders of securities of the Company with registration rights to participate therein. The Company shall have the opportunity to include such number of securities as it may elect in an offering described in Section 2.4(c); provided, if the managing Underwriter(s) of such offering advise in writing the Company and the Holder(s) of the Registrable Securities requested to be included that the success of the offering would be significantly adversely affected by inclusion of all the securities requested to be included by the Company, then the amount of securities to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s); provided, further, the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering.

Section 2.6. Registration Procedures; Filings; Information. Subject to Section 2.14 hereof, in connection with any Resale Shelf Registration Statement under Section 2.4(a), the Company will use its reasonable efforts to effect the registration of the Registrable Securities covered thereby in accordance with the intended method of disposition thereof as quickly as practicable, and, in connection with any Issuer Shelf Registration Statement under Section 2.4(b), the Company will use its reasonable efforts to effect the registration of the Primary Shares (including for resale, to the extent provided in clause (ii) of Section 2.4(b)) as quickly as reasonably practicable. In connection with any Shelf Registration Statement:

(a) The Company will no later than two (2) Business Days prior to filing a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) or prospectus or any amendment or supplement thereto, furnish to each Selling Holder and each Underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter furnish to such Selling Holder and Underwriter, if any, such number of conformed copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder or Underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder.

(b) After the filing of a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(c) The Company will use its reasonable efforts to (i) register or qualify the Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States (where an exemption does not apply) as any Selling Holder or managing Underwriter(s), if any, reasonably (in light of such Selling Holder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition of the Registrable Securities owned by such Selling Holder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (c), (B) subject itself to general taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction. The Company will promptly notify each Selling Holder of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company will immediately notify each Selling Holder of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the Company's receipt of any notification of the suspension of the qualification of any Registrable Securities covered by a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) for sale in any jurisdiction; or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and promptly make available to each Selling Holder any such supplement or amendment.

(e) The Company will otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder (or any successor rule or regulation hereafter adopted by the Commission).

(f) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will enter into and perform its obligations under customary agreements (including an underwriting agreement, if any, in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities (including, to the extent reasonably requested by the lead or managing Underwriters, sending appropriate officers of the Company to attend "road shows" scheduled in reasonable number and at reasonable times in connection

with any such underwritten offering, and obtaining customary comfort letters and legal opinions) subject to such underwritten offering.

(g) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement, the Company will make available for inspection by any Selling Holder of Registrable Securities subject to such underwritten offering, any Underwriter participating in any disposition of such Registrable Securities and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter, all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any inspectors in connection with such registration statement, subject to entry by each such Person of a customary confidentiality agreement in a form reasonably acceptable to the Company.

(h) The Company will use its reasonable efforts to cause all Registrable Securities covered by such Resale Shelf Registration Statement or Primary Shares covered by such Issuer Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(i) In addition to the Notice and Questionnaire, the Company may require each Selling Holder of Registrable Securities to promptly furnish in writing to the Company such information regarding such Selling Holder, the Registrable Securities held by it and the intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration. No Holder may include Registrable Securities in any registration statement pursuant to this Agreement unless and until such Holder has furnished to the Company such information. Each Holder further agrees to furnish as soon as reasonably practicable to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

(j) Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(b) or 2.6(d) or upon receipt of a Suspension Notice, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of written notice from the Company that such disposition may be made and, in the case of clause (ii) of Section 2.6(d) or, if applicable, Section 2.14, copies of any supplemented or amended prospectus contemplated by clause (ii) of Section 2.6(d) or, if applicable, prepared under Section 2.14, and, if so directed by the Company, such Selling Holder will deliver to the Company all copies, other than permanent file copies then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Each Selling Holder of Registrable Securities agrees that it will immediately notify the Company at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act of the happening of an event as a result of which information previously furnished by such Selling Holder to the Company in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact

required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.

Section 2.7. Registration Expenses. In connection with any registration statement required to be filed hereunder, the Company shall pay the following registration expenses incurred in connection with the registration hereunder (the "Registration Expenses"), regardless whether such registration statement is declared effective by the Commission: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, including in connection with the preparation of comfort letters, and any transfer agent and registrar fees, and (vii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or any transfer taxes relating to the registration or sale of the Registrable Securities.

Section 2.8. Indemnification by the Company. The Company agrees to indemnify and hold harmless each Selling Holder of Registrable Securities, its officers, directors, agents, partners, members, employees, managers, advisors, sub-advisors, attorneys, representatives and Affiliates, and each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against, as incurred, any and all losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, prospectus, or free writing prospectus relating to the Registrable Securities (in each case, as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or that arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission included in reliance upon and in conformity with information furnished in writing to the Company by such Selling Holder or on such Selling Holder's behalf expressly for inclusion therein.

Section 2.9. Indemnification by Holders of Registrable Securities. Each Selling Holder agrees, severally but not jointly or jointly and severally, to indemnify and hold harmless the Company, its officers, directors, agents, employees, attorneys, representatives and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Selling Holder, but only with respect to information relating to such Selling Holder included in reliance upon and in conformity with information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration

statement, preliminary prospectus, prospectus or free writing prospectus relating to the Registrable Securities, or any amendment or supplement thereto. In case any action or proceeding shall be brought against the Company or its officers, directors or agents or any such controlling person, in respect of which indemnity may be sought against such Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its officers, directors or agents or such controlling person shall have the rights and duties given to such Selling Holder, by Section 2.10; provided, however, that the total obligations of such Selling Holder under this Agreement (including, but not limited to, obligations arising under Section 2.11 herein) will be limited to an amount equal to the net proceeds actually received by such Selling Holder (after deducting any discounts and commissions) from the disposition of Registrable Securities pursuant to such registration statement.

Section 2.10. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 2.8 or 2.9, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (an "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided, however, that the failure of any Indemnified Party to give such notice will not relieve such Indemnifying Party of any obligations under Section 2.8 or 2.9, except to the extent such Indemnifying Party is materially prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) representation of the Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and the Indemnified Party. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by (i) in the case of Persons indemnified pursuant to Section 2.8 hereof, the Selling Holders which owned a majority of the Registrable Securities sold under the applicable registration statement and (ii) in the case of Persons indemnified pursuant to Section 2.9, the Company. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding without any admission of liability by such Indemnified Party.

Section 2.11. Contribution. If the indemnification provided for in Section 2.8 or 2.9 hereof is held by a court of competent jurisdiction to be unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities that otherwise would have been covered by Section 2.8 or 2.9 hereof, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of each Selling Holder, on the other hand, in connection with such statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party.

The Company and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 2.11 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.11, no Selling Holder shall be required to contribute any amount which in the aggregate exceeds the amount by which the net proceeds actually received by such Selling Holder from the sale of its securities to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Holder's obligations to contribute pursuant to this Section 2.11, if any, are several in proportion to the proceeds of the offering actually received by such Selling Holder bears to the total proceeds of the offering received by all the Selling Holders and not joint.

Section 2.12. Rule 144. The Company covenants that it will (a) make and keep public information regarding the Company available as those terms are defined in Rule 144, (b) file in a timely manner any reports and documents required to be filed by it under the Securities Act and the Exchange Act, (c) furnish to any Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time more than ninety (90) days after the effective date of the registration statement for the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), and (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 2.13. Participation in Underwritten Offerings. No Person may participate in any underwritten offerings hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights provided for in this Article II.

Section 2.14. Suspension of Use of Registration Statement.

(a) If the Board of Directors of the Company determines in its good faith judgment that the filing of a Rady Demand Registration Statement or Resale Shelf Registration Statement under Section 2.1(a) or Section 2.4(a) or the use of any related prospectus would be materially detrimental to the Company because such action would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential or the disclosure of which would materially impede the Company's ability to consummate a significant transaction, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, upon written notice of such determination by the Company to the Holders which shall be signed by the Chief Executive Officer, President or any Executive Vice President of the Company certifying thereto, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Resale Shelf Registration or to require the Company to take action with respect to the registration or sale of any Registrable Securities pursuant to a Resale Shelf Registration Statement shall be suspended until the earliest of (i) the date upon which the Company notifies the Holders in writing that suspension of such rights for the grounds set forth in this Section 2.14(a) is no longer necessary and they may resume use of the applicable prospectus, (ii) the date upon which copies of the applicable supplemented or amended prospectus is distributed to the Holders, and (iii) (x) up to thirty (30) consecutive days after the notice to the Holders if that notice is given during the Initial Period or (y) ninety (90) consecutive days after the notice to the Holders if that notice is given after the Initial Period; provided, that the Company shall not be entitled to exercise any such right more than two (2) times in any twelve (12) month period or less than thirty (30) days from the termination of the prior such suspension period; and provided further, that such exercise shall not prevent the Holders from being entitled to at least three hundred twenty (320) days of effective registration with respect to such registration statement during each Initial Period and thereafter two hundred ten (210) days of effective registration with respect to such registration statement in any 365-day period. The Company agrees to give the notice under (i) above as promptly as practicable following the date that such suspension of rights is no longer necessary.

(b) If all reports required to be filed by the Company pursuant to the Exchange Act have not been filed by the required date without regard to any extension, or if the consummation of any business combination by the Company has occurred or is probable for purposes of Rule 3-05 or Article 11 of Regulation S-X promulgated under the Securities Act or any similar successor rule, upon written notice thereof by the Company to the Holders, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement or to require the Company to take action with respect to the registration or sale of any Registrable Securities

pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement shall be suspended until the date on which the Company has filed such reports or obtained and filed the financial information required by Rule 3-05 or Article 11 of Regulation S-X to be included or incorporated by reference, as applicable, in a Rady Demand Registration Statement or Resale Shelf Registration Statement, and the Company shall use commercially reasonable efforts to file the required reports or obtain and file the financial information required to be included or incorporated by reference, as applicable, as promptly as commercially practicable, and shall notify the Holders as promptly as practicable when such suspension is no longer required.

Section 2.15. Additional Shares. The Company, at its option, may register under a Shelf Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued shares of Common Stock or any shares of Common Stock owned by any other stockholder or stockholders of the Company; provided that in no event shall the inclusion of such shares on a registration statement reduce the amount offered for the account of the Holders in any underwritten offering at the request of the Holders pursuant to Section 2.1(a) or Section 2.4(c).

ARTICLE III
MISCELLANEOUS

Section 3.1. Remedies. In addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, the Holders shall be entitled to specific performance of the rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

Section 3.2. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, in each case without the written consent of the Company and the Holders against whom enforcement is sought. No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.3. Notices. All notices and other communications in connection with this Agreement shall be made in writing by hand delivery, registered first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to any Holder, initially to the address indicated in such Holder's Notice and Questionnaire or, if no Notice and Questionnaire has been delivered, c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address and to such other Persons as any Holder may hereafter specify in writing; and

(2) if to the Company, initially at 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address as the Company may hereafter specify in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when received if deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 3.4. Successors and Assigns; Assignment of Registration Rights. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties. Any Holder may assign its rights under this Agreement without the consent of the Company in connection with a transfer of such Holder's Registrable Securities; provided, that the Holder notifies the Company of such proposed transfer and assignment and the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement.

Section 3.5. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 3.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 3.8. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.10. Termination. The obligations of the parties hereunder shall terminate with respect to a Holder when it no longer holds Registrable Securities and with respect to the Company upon the end of the Effectiveness Period with respect to any Issuer Shelf Registration Statement and with respect to a Resale Shelf Registration Statement when there are no longer Registrable Securities with respect to such Resale Shelf Registration Statement, except, in each case, for any obligations under Sections 2.4(d), 2.7, 2.8, 2.9, 2.10, 2.11 and Article III.

Section 3.11. Waiver of Jury Trial. The parties hereto (including any Initial Holder and any subsequent Holder) irrevocably waive any right to trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

HOLDERS LISTED ON SCHEDULE I HERETO

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:
As Attorney-in-Fact acting on behalf of each of the Holders named on Schedule I hereto

Schedule I

See Attached.

Exhibit A

Form of Notice and Questionnaire

The undersigned beneficial holder of shares of common stock, par value $.01 per share ("Common Stock"), of American Assets Trust, Inc. (the "Company") and/or units of limited partnership interests ("OP Units" and, together with the Common Stock, the "Registrable Securities") of American Assets Trust, L.P. (the "Operating Partnership"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "SEC") one or more registration statements (collectively, the "Resale Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement"), dated [_____], 2010, among the Company and the holders listed on Schedule I thereto. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Resale Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling security holder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). **To be included in the Resale Shelf Registration Statement, this Notice and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein on or prior to the tenth business day before the effectiveness of the Resale Shelf Registration Statement.** We will give notice of the filing and effectiveness of the initial Resale Shelf Registration Statement by issuing a press release and by mailing a notice to the holders at their addresses set forth in the register of the registrar.

Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling security holders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Resale Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the initial Resale Shelf Registration Statement so that such beneficial owners may be named as selling security holders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the initial Resale Shelf Registration Statement, in accordance with the Registration Rights Agreement, the Company will file such amendments to the initial Resale Shelf Registration Statement or additional shelf registration statements or supplements to the related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities.

Certain legal consequences arise from being named as selling security holders in the Resale Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling security holder in the Resale Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Security Holder") of Registrable Securities hereby elects to include in the prospectus forming a part of the Resale Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Resale Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Company and represents and warrants to the Company that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Security Holder:

(b) Full Legal Name of registered holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

(d) List below the individual or individuals who exercise voting and/or dispositive powers with respect to the Registrable Securities listed in Item (3) below:

2. Address for Notices to Selling Security Holder:

Telephone: _____

Fax: _____

E-mail address: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

Type of Registrable Securities beneficially owned, and number of shares of Common Stock and/or Common OP Units, as the case may be, beneficially owned:

4. Beneficial Ownership of Securities of the Company Owned by the Selling Security Holder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Registrable Securities listed above in Item (3).

Type and amount of other securities beneficially owned by the Selling Security Holder:

5. Relationship with the Company

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Resale Shelf Registration Statement only as follows and will not be offering any of such Registrable Securities pursuant to an agreement, arrangement or understanding entered into with a

broker or dealer prior to the effective date of the Resale Shelf Registration Statement. Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters or broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Security Holder will be responsible for underwriting discounts or commissions or agent's commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions)

(i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale;

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

Note: **In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of the Company.**

ACKNOWLEDGEMENTS

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Security Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Security Holders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Resale Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Resale Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item 3 above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing this Notice and Questionnaire, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Resale Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Resale Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the Selling Security Holder and received by the Company, the terms of this Notice and Questionnaire and the representations and warranties contained herein shall be binding on, shall insure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Security Holder with respect to the Registrable Securities beneficially owned by such Selling Security Holder and listed in Item 3 above.

This Notice and Questionnaire shall be governed by, and construed in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By _____
Name:
Title:

Dated:

Please return the completed and executed Notice and Questionnaire to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Tel: (858) 350-2600
Fax: (858) 350-2620
Attention: Chief Financial Officer

Exhibit E

Order of Mergers

Each step within each "Transaction Step" below must be completed before the transactions in the following "Transaction Step" may be completed. All transactions within each "Transaction Step" may be completed simultaneously or in any order.

Transaction Step 1

All Forward REIT Mergers
All REIT Sub Forward Mergers

Transaction Step 2

All Contributions to the OP (including the REIT's contribution to the OP of the assets acquired in Step 1)

Transaction Step 3

All Contributions to subsidiaries of the OP (including, where applicable, the OP's contribution to the applicable subsidiary of assets acquired in Step 2)

Transaction Step 4

All OP Forward Mergers ***except*** the OP Forward Merger set forth in Transaction Step 5 and Transaction Step 7 below

Transaction Step 5

Forward Merger of Desert Hillside Holdings LLC with and into the Operating Partnership

Transaction Step 6

All OP Sub Forward Mergers ***except*** the OP Sub Forward Merger set forth in Transaction Step 7 below

Transaction Step 7

Forward Merger of BWH Holdings LLC with and into the Operating Partnership

Forward Merger of Desert Oceanside Holdings LLC with and into Pacific Oceanside Holdings LLC.

Transaction Step 8

All OP Sub Reverse Mergers

Exhibit F

Operating Partnership Agreement

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMERICAN ASSETS TRUST, L.P.

a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [_____], 2010

TABLE OF CONTENTS

Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [_____], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [_____], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

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

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

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

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

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares

issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided*, *however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

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

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

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

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

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

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

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

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

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

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

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

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

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

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

"*Common Unit Economic Balance*" means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner's Partnership Common Units.

"*Consent*" means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms "*Consented*" and "*Consenting*" have correlative meanings.

"*Consent of the General Partner*" means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

"*Consent of the Limited Partners*" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

"*Consent of the Partners*" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided*, *however*, that, if any such action affects only certain classes or series of Partnership Interests, "Consent of the Partners" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

"*Constituent Person*" has the meaning set forth in Section 16.9.F hereof.

"*Contributed Property*" means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a "new" partnership pursuant to Code Section 708).

"*Controlled Entity*" means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits and (d) any limited liability company

of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

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

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

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

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

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Family Members*" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

"*Final Adjustment*" has the meaning set forth in Section 10.3.B(2) hereof.

"*Flow-Through Partners*" has the meaning set forth in Section 3.4.C hereof.

"*Flow-Through Entity*" has the meaning set forth in Section 3.4.C hereof.

"*Forced Conversion*" has the meaning set forth in Section 16.9.C hereof.

"*Forced Conversion Notice*" has the meaning set forth in Section 16.9.C hereof.

"*Fourteen-Month Period*" means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party's first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

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

"*General Partner*" means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on Exhibit A, as such Exhibit A may be amended from time to time, in such Person's capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

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

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

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

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

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

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

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

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

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the

appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

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

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

"*LTIP Units*" means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

"*Majority in Interest of the Limited Partners*" means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

"*Majority in Interest of the Partners*" means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

"*Market Price*" has the meaning set forth in the definition of "*Value*."

"*Maryland Courts*" has the meaning set forth in Section 15.9.B hereof.

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss" shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss," shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

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

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

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

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

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

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

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

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

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt

were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

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

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established within ten (10) Business Days of the record date for the determination of the existence of such Partnership Approval, then Partnership Approval shall be deemed not to exist with respect to the event constituting such General Partner Interest Transfer.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in

Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

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

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided*, *however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

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

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"*SDAT*" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a

"taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT

Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation*. The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name*. The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office*. The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such

other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

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

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

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

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term*. The term of the Partnership commenced on [_____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities*. All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business*. The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified*. The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a "partnership at will" (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the

meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an

individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

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

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing

services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to

the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment

Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the General Partner shall sell to such Partnership Subsidiary), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the Partnership Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

D. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares*.

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the same as the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares ("*Partnership Equivalent Units*") equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the

Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares*. Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its

sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term "Partnership Year" may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

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

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

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

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being

allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4)

and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. Allocation of Excess Nonrecourse Liabilities. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

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

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

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

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

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

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

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

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

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating

to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

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

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

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

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

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

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

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

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

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is

entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several,

expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

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

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

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

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

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

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

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

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

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

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

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

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

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

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been

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

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such

opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

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

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner*. No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year*. For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns*. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections*. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

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

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a "notice partner" (as defined in Code Section 6231) or a member of a "notice group" (as defined in Code Section 6223(b)(2));

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

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

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

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

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

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

Section 10.4 *Withholding*. Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan

if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses*. The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any

other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. The General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its stockholders (each of a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of

its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided, however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided, further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided, however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided, further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided, however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by

the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within

the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be

subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions.*

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii)

in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner*. A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate Consent of the Limited Partners or the consent or approval of any other Partners. Any such

successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission

shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership*. For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners*. Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission.* A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution*. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

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

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

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

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

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

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution*. Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax

purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders*. Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution*. In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership*. Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up*. A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided, however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS
OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners*. The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments*. Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the

proposal; *provided, however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action, (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion,

redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided, however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or

restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice*. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions*. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as

specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals*. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action*. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver*.

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

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided*, *however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided*, *further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts*. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

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

event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement*. This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions*. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status*. Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, however, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition*. No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby*. The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third

party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders*. Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation*. A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting*.

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and

with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments*. The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP

Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations*. Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers*. Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption*. The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend*. Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units

covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be

reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special

allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting*. LTIP Unit Limited Partners shall (a) have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter. So long as any LTIP Units remain outstanding and except as provided in Section 16.3, the Partnership shall not, without the Consent of the Limited Partners holding a majority of the LTIP Units held by Limited Partners at the time (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of the Agreement applicable to LTIP Units so as to materially and adversely affect any right, privilege or voting power of the LTIP Units or the LTIP Unit Limited Partners as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners holding Partnership Common Units; but subject, in any event, to the following provisions: (i) with respect to any Transaction, so long as the LTIP Units are treated in accordance with Section 16.9.F hereof, the consummation of such Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such; and (ii) any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Partnership Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such. The foregoing voting provisions will not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted or provision is made for such conversion to occur as of or prior to such time into Partnership Common Units.

Section 16.11 *Section 83 Safe Harbor*. Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such

election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: _____
Name:
Its:

LIMITED PARTNER:
[,
a],

By: _____
Name:
Its:

LIMITED PARTNER:

_____
Name:

As of [ ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	**Partnership Units (Type and Amount)**
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL:	[ ] Partnership Common Units

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [_____] is 1.0 and (b) on [_____] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

_____

_____

_____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [ ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: _____

Name of Limited Partner or Assignee:

_____

_____

(Signature of Limited Partner or Assignee)

_____

(Street Address)

_____

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to:

_____

Please insert social security
or identifying number:

_____

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT
LTIP UNITS INTO PARTNERSHIP COMMON UNITS

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

_____

(Signature of Holder)

_____

(Street Address)

_____

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to: _____

Please insert social security
or identifying number: _____

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

Exhibit G

Formation Transaction Documentation

Form of Forward REIT Merger Agreement

Form of REIT Sub Forward Merger Agreement

Form of Forward OP Merger Agreement

Form of OP Sub Forward Merger Agreement

Form of OP Sub Reverse Merger Agreement

Form of OP Contribution Agreement

Form of OP Sub Contribution Agreement

Form of Alternate Contribution Agreement

Form of Tax Protection Agreement

Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.

Registration Rights Agreement

Representation, Warranty and Indemnity Agreement

Indemnity Escrow Agreement

Lock-Up Agreement

Articles of Amendment and Restatement of American Assets Trust, Inc.

Bylaws of American Assets Trust, Inc.

Management Business Contribution Agreement

Exhibit 10.15

OP SUB CONTRIBUTION AGREEMENT

DATED AS OF SEPTEMBER 13, 2010

BY AND AMONG AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

[OP SUBSIDIARY ENTITY],
a Delaware limited liability company

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

AND

THE CONTRIBUTORS
as set forth on Schedule I hereto

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OP SUB CONTRIBUTION AGREEMENT

THIS OP SUB CONTRIBUTION AGREEMENT is made and entered into as of September 13, 2010 (this "Agreement"), by and among American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), American Assets Trust, Inc., a Maryland corporation (the "REIT"), the contributors whose names appear on Schedule I hereto (each a "Contributor" and, collectively, the "Contributors"), and **[OP Subsidiary Entity]**, a Delaware limited liability company to be formed prior to the Closing Date (defined below) and to be wholly owned by the Operating Partnership (the "OP Subsidiary"). Certain capitalized terms are defined in Section 6.02 of this Agreement.

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities each as described on Exhibit A hereto;

WHEREAS, concurrently with the execution of this Agreement, each of the entities identified on Exhibit A hereto as "Forward REIT Merger Entities" (the "Forward REIT Merger Entities") will enter into an agreement and plan of merger with the REIT pursuant to which each such Forward REIT Merger Entity will merge with and into the REIT and the equity interest in each Forward REIT Merger Entity will be converted automatically into the right to receive cash, without interest, or shares of common stock of the REIT, par value $.01 per share (the "REIT Shares");

WHEREAS, concurrently with the execution of this Agreement, the REIT will enter into agreements and plans of merger with certain American Assets Entities identified as "REIT Sub Forward Merger Entities" on Exhibit A hereto (the "REIT Sub Forward Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, each of the REIT Sub Forward Merger Entities will merge with and into wholly owned subsidiaries of the REIT;

WHEREAS, immediately following the completion of the mergers described in the preceding paragraphs, the REIT will contribute to the Operating Partnership, (i) all of the assets, rights and obligations of the Forward REIT Merger Entities acquired by the REIT as a result of the mergers between it and the Forward REIT Merger Entities and (ii) all of the REIT's interests in the surviving entities of the mergers of the REIT Sub Forward Merger Entities with and into wholly owned subsidiaries of the REIT;

WHEREAS, pursuant to this Agreement, immediately following the completion of the mergers and contributions described in the preceding paragraphs, each Contributor shall contribute to the OP Subsidiary all of such Contributor's interests (the "Contributed Interest") in the applicable American Assets Entities identified as "Contributed Entities" on Exhibit A, and the OP Subsidiary shall acquire from each Contributor all of such Contributor's right, title and interest as a holder of the Contributed Interests; *provided*, that if any Contributed Entity shall no longer exist as of the time of consummation of this Agreement, the term Contributed Interest shall include all interests in any entity which was held by such Contributed Entity at the time such Contributed Entity shall have ceased to exist;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, will enter into a contribution agreement substantially similar to this agreement with certain other holders of interests in certain American Assets Entities, pursuant to which, concurrently with the contributions described in the preceding paragraph, each such other contributor shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, respectively, all of such contributor's interests in the applicable American Assets Entity, and the Operating Partnership, or such subsidiary, as applicable, shall acquire from each such other contributor all of such other contributor's right, title and interest as a holder of the interests in such American Assets Entities;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into an agreement and plan of merger with certain American Assets Entities identified as "Forward OP Merger Entities" on Exhibit A hereto (collectively, the "Forward OP Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraphs, each Forward OP Merger Entity will merge with and into the Operating Partnership in the order set forth in the merger agreement for such entities;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Forward Merger Entities" on Exhibit A hereto (collectively, the "OP Sub Forward Merger Entities"), pursuant to which, immediately following the mergers and contributions identified in the preceding paragraph, each OP Sub Forward Merger Entity will merge with and into a separate wholly owned subsidiary of the Operating Partnership;

WHEREAS, concurrently with the execution of this Agreement, the Operating Partnership will enter into agreements and plans of merger with certain American Assets Entities identified as "OP Sub Reverse Merger Entities" on Exhibit A hereto (collectively, the "OP Sub Reverse Merger Entities"), pursuant to which, concurrently with the mergers identified in the preceding paragraph, a separate wholly-owned subsidiary of the Operating Partnership will merge with and into each OP Sub Reverse Merger Entity;

WHEREAS, in lieu of one or more of the mergers described in the preceding paragraphs and at the same time as such mergers would have otherwise occurred, certain holders (the "Consenting Holders") of interests in certain American Assets Entities shall contribute to the Operating Partnership, or a wholly-owned subsidiary of the Operating Partnership, all of their interests in the applicable American Assets Entity, and the Operating Partnership or such subsidiary shall acquire from each Consenting Holder, all of each Consenting Holder's right, title and interest as a holder of interests in such American Assets Entities;

WHEREAS, the Formation Transactions relate to the proposed initial public offering (the "IPO") of the REIT Shares, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code; and

WHEREAS, all necessary approvals have been obtained by each of the Operating Partnership, OP Subsidiary and each Contributor to consummate the transactions contemplated herein and by the other Formation Transaction Documentation.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

CONTRIBUTION

Section 1.01 CONTRIBUTION TRANSACTION; ASSIGNMENT AND ASSUMPTION.

(a) At the Closing and subject to the terms and conditions contained in this Agreement, each Contributor hereby contributes, assigns, sets over, transfers, conveys and delivers to the OP Subsidiary, absolutely and unconditionally and free and clear of all Liens (other than those arising under the partnership, limited liability company or similar agreement(s) of the applicable American Assets Entities (the "Organizational Documents")), all of its right, title and interest in and to its Contributed Interests, including all rights to indemnification in favor of such Contributor under its Organizational Documents; *provided*, that the OP Subsidiary accepts the assignment by such Contributor and agrees to be bound by the terms of the Organizational Documents governing such Contributor's Contributed Interest and undertakes, assumes and agrees punctually and faithfully to perform, pay or discharge when due and otherwise in accordance with its terms, all agreements, covenants, conditions, obligations and liabilities of such Contributor in the applicable American Assets Entities with respect to such Contributor's Contributed Interest on or after the Closing Date.

(b) In accordance with the terms of the Organizational Documents governing each Contributor's Contributed Interest, this Agreement shall serve as notice to the partners, managers or members, as the case may be, of each of the applicable American Assets Entities of the transfer of each Contributor's Contributed Interest, and such partners, managers or members, as the case may be, of each of the applicable American Assets Entities, to the extent applicable, consents to, and agrees and acknowledges that all requirements and conditions for such transfer and the admission of the OP Subsidiary as a substituted partner or member have been satisfied or otherwise waived.

(c) All of the parties hereto agree that, as a result of the assignment and assumptions hereunder, for purposes of the Organizational Documents governing each Contributor's Contributed Interest, the OP Subsidiary shall be a substituted partner or member, as the case may be, of the applicable American Assets Entity.

Section 1.02 CONSIDERATION.

(a) Under and subject to the terms and conditions set forth herein, as the result of an irrevocable election indicated on a Consent Form submitted by each Contributor, or as a result of the failure of each Contributor to submit a Consent Form, each Contributor is

irrevocably bound to accept and entitled to receive, in consideration for the Contributed Interests contributed pursuant to this Agreement, a specified share of the aggregate pre-IPO equity value of the American Assets Entities in the form of the right to receive cash, REIT Shares and/or OP Units.

(b) At Closing, subject to the terms and conditions contained in this Agreement, in exchange for its Contributed Interests, each Contributor shall receive cash, OP Units and/or REIT Shares with an aggregate value equal to the portion of Equity Value represented by the Contributed Interests as set forth on Schedule I hereto (collectively referred to as the "Contribution Consideration").

Subject to Section 1.03, the amount of cash, number of OP Units and/or REIT Shares comprising the Contribution Consideration for each Contributed Interest shall be as follows:

(i) Cash. One hundred percent (100%) of the Allocated Share for each Contributed Interest held by a Contributor, in the event such Contributor is not an Accredited Investor, shall be paid in cash.

(ii) OP Units. The Elected OP Unit Percentage of the Allocated Share for the Contributed Interest or portion thereof held by a Contributor, in the event such Contributor is an Accredited Investor, shall be distributed in OP Units in the form of a number of OP Units equal to the applicable portion of such Allocated Share divided by the IPO Price; and

(iii) REIT Shares. The Elected REIT Shares Percentage of the Allocated Share for each Contributed Interest or portion thereof held by a Contributor, in the event such Contributor is an Accredited Investor, shall be distributed in whole REIT Shares in the form of a number of REIT Shares equal to the applicable portion of such Allocated Share divided by the IPO Price; *provided*, that to the extent such distribution of REIT Shares to such Contributor would result in a violation of the restrictions on ownership and transfer set forth in Section 6.3 of the REIT's charter (the "Ownership Limits"), such Contributor shall receive (x) the maximum number of whole REIT Shares that would not result in such a violation of the Ownership Limits, and (y) that number of OP Units equal to the remaining number of REIT Shares not distributed as a result of the application of the foregoing clause (x).

(c) At Closing, in the event that a Contributor receives OP Units in exchange for a Contributed Interest, it shall be admitted as a limited partner of the Operating Partnership. By executing and delivering this Agreement, each Contributor agrees and accepts all of the terms and conditions of the Operating Partnership Agreement and shall be deemed to have executed and delivered a counterpart signature page to the Operating Partnership Agreement.

Section 1.03 FRACTIONAL INTEREST. No fractional OP Units or REIT Shares shall be issued pursuant to this Agreement. All fractional OP Units that a Contributor would otherwise be entitled to receive as a result of the Contribution and the other Formation Transactions shall be aggregated, and each Contributor shall receive the number of whole OP Units resulting from such aggregation and, in lieu of any fractional OP Unit resulting from such

aggregation, an amount in cash determined by multiplying that fraction of an OP Unit to which such Contributor would otherwise have been entitled, by the IPO Price. All fractional REIT Shares that a Contributor would otherwise be entitled to receive as a result of the Contribution and the other Formation Transactions shall be aggregated, and such Contributor shall receive the number of whole REIT Shares resulting from such aggregation and, in lieu of any fractional REIT Share resulting from such aggregation, an amount in cash determined by multiplying that fraction of a REIT Shares to which such Contributor would otherwise have been entitled, by the IPO Price. No interest will be paid or will accrue on any cash paid or payable in lieu of any fractional OP Unit or REIT Share.

Section 1.04 FURTHER ACTION. If, at any time after the Closing, the Operating Partnership shall determine or be advised that any deeds, bills of sale, assignments, assurances or other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Operating Partnership the right, title or interest in or to a Contributed Interests, the Contributor of such Contributed Interest shall execute and deliver all such deeds, bills of sale, assignments and assurances and take and do all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in such Contributed Interests or otherwise to carry out this Agreement.

Section 1.05 CALCULATION OF CONTRIBUTION CONSIDERATION. As soon as practicable following the determination of the IPO Price and prior to the Closing, all calculations relating to the Contribution Consideration shall be performed in good faith by, or under the direction of, the REIT and the Operating Partnership and the parties hereby agree that, absent manifest error, such calculations shall be final and binding upon each Contributor.

ARTICLE II

CLOSING

Section 2.01 CONDITIONS PRECEDENT.

(a) Condition to Each Party's Obligations. The respective obligation of each party to effect the contributions contemplated by this Agreement and to consummate the other transactions contemplated hereby to occur on the Closing Date is subject to the satisfaction or waiver on or prior to the Closing of the following conditions:

(i) Registration Statement. The Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings by the Securities and Exchange Commission ("SEC") seeking a stop order. This condition may not be waived by any party.

(ii) No Injunction. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, judgment, injunction or other order (whether temporary, preliminary or permanent), in any case which is in effect and which prevents or prohibits consummation of any of the transactions contemplated in this Agreement nor shall any of the same brought by a Governmental Authority of competent jurisdiction be pending that seeks the foregoing.

(b) Conditions to Obligations of the Operating Partnership and OP Subsidiary. The obligations of the Operating Partnership and OP Subsidiary are further subject to satisfaction of the following conditions (any of which may be waived by the Operating Partnership and OP Subsidiary in whole or in part):

(i) Representations and Warranties. Except as would not have a material adverse effect, the representations and warranties of each Contributor contained in this Agreement, as well as those of the Ernest Rady Trust U/D/T March 10, 1983, as amended (the Rady Trust") contained in the Representation, Warranty and Indemnity Agreement, shall be true and correct in all material respects at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(ii) Performance by each Contributor. Each Contributor shall have performed each of the agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date and each Contributor shall not have breached any of its covenants contained herein in any material respect.

(iii) IPO Closing. The closing of the IPO shall occur substantially concurrently with the Closing.

(iv) Consents, Etc. All necessary consents and approvals of Governmental Authorities or third parties (including lenders) for each Contributor to consummate the transactions contemplated hereby shall have been obtained.

(v) No Material Adverse Change. There shall have not occurred between the date hereof and the Closing Date any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of any American Assets Entity in which the Contributed Interests are being contributed or any other Properties held by such American Assets Entity.

(vi) Representation, Warranty and Indemnity Agreement. The Rady Trust and each other party thereto shall have entered into the Representation, Warranty and Indemnity Agreement.

(vii) Escrow Agreement. Each party thereto shall have entered into the Escrow Agreement.

(viii) Formation Transactions. The Formation Transactions shall have been or shall simultaneously be consummated in accordance with the timing set forth in the respective Formation Transaction Documentation.

(ix) Lock-Up Agreement. Each Contributor shall have entered into the Lock-Up Agreement substantially in the form attached as Exhibit B.

(x) Tax Protection Agreement. In the event that any Contributor (1) owns, directly or indirectly, an interest in any Property specified in the Tax Protection Agreement or (2) has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement shall have entered into the Tax Protection Agreement substantially in the form attached as Exhibit C, if applicable.

(c) Conditions to Obligations of each Contributor. The obligations of each Contributor to effect the contribution contemplated by this Agreement and to consummate the other transactions contemplated hereby to occur on the Closing Date are further subject to satisfaction of the following conditions (any of which may be waived by such Contributor in whole or in part):

(i) Representations and Warranties. Except as would not have an OP Material Adverse Effect, the representations and warranties of the Operating Partnership and OP Subsidiary contained in this Agreement shall be true and correct at the Closing as if made again at that time (except to the extent that any representation or warranty speaks as of an earlier date, in which case it must be true and correct only as of that earlier date).

(ii) Performance by the Operating Partnership. Except as would not have an OP Material Adverse Effect, each of the Operating Partnership and OP Subsidiary shall have performed all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(iii) Registration Rights Agreement. The REIT shall have entered into the registration rights agreement, substantially in the form attached as Exhibit D hereto. This condition may not be waived by any party hereto.

(iv) Tax Protection Agreement. In the event that such Contributor (1) owns, directly or indirectly, an interest in any Property specified in the Tax Protection Agreement or (2) has been provided an opportunity to guarantee debt as set forth in the Tax Protection Agreement, the REIT and the Operating Partnership shall have entered into the Tax Protection Agreement substantially in the form attached as Exhibit C, if applicable.

Section 2.02 TIME AND PLACE. Unless this Agreement shall have been terminated pursuant to Section 2.06 hereof, and subject to satisfaction or waiver of the conditions in Section 2.01 hereof, the closing of the contributions contemplated by Section 1.01 and the other transactions contemplated hereby shall occur substantially concurrently with the receipt by the REIT of the proceeds from the IPO from the underwriters (the "Closing" or the "Closing Date") in the order set forth on Exhibit E. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400, San Diego, California 92130 or such other place as determined by the Operating Partnership in its sole discretion.

Section 2.03 DELIVERY OF CONTRIBUTION CONSIDERATION. As soon as reasonably practicable after the Closing, the Operating Partnership shall deliver to each Contributor the Contribution Consideration payable to such Contributor in the amounts and form provided in Section 1.02(b) hereof. The issuance of OP Units pursuant to Section 1.02(b)(ii)

shall be evidenced by an amendment to the Operating Partnership Agreement, and the Operating Partnership shall deliver, or cause to be delivered, an executed copy of such amendment to each Contributor. Any certificate representing REIT Shares issuable as Contribution Consideration shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS THE TRANSFEROR DELIVERS TO THE CORPORATION AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND EXCEPT AS EXPRESSLY PROVIDED IN THE CORPORATION'S CHARTER, (I) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S COMMON STOCK IN EXCESS OF [__]% (IN VALUE OR NUMBER OF SHARES) OF THE OUTSTANDING SHARES OF COMMON STOCK OF THE CORPORATION UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (II) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK OF THE CORPORATION IN EXCESS OF [__]% OF THE VALUE OF THE TOTAL OUTSTANDING SHARES OF CAPITAL STOCK OF THE CORPORATION, UNLESS SUCH PERSON IS AN EXCEPTED HOLDER (IN WHICH CASE THE EXCEPTED HOLDER LIMIT SHALL BE APPLICABLE); (III) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN CAPITAL STOCK THAT WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (IV) NO PERSON MAY TRANSFER SHARES OF CAPITAL STOCK IF SUCH TRANSFER WOULD RESULT IN THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO

BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF CAPITAL STOCK IN EXCESS OR IN VIOLATION OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP SET FORTH IN (I) THROUGH (III) ABOVE ARE VIOLATED, THE SHARES OF CAPITAL STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO A TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY TAKE OTHER ACTIONS, INCLUDING REDEEMING SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE AND ABSOLUTE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID *AB INITIO*. ALL UNDERLINED TERMS IN THIS LEGEND HAVE THE MEANINGS DEFINED IN THE CHARTER OF THE CORPORATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF CAPITAL STOCK OF THE CORPORATION ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE.

Section 2.04 CLOSING DELIVERIES. At the Closing, the parties shall make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, any other documents reasonably requested by the Operating Partnership or OP Subsidiary or reasonably necessary or desirable to assign, transfer, convey, contribute and deliver the Contributed Interests, free and clear of all Liens and to effectuate the transactions contemplated hereby.

Section 2.05 CLOSING COSTS. If the Closing occurs, the REIT and the Operating Partnership shall be solely responsible for all transaction costs and expenses of the REIT, the Operating Partnership and the American Assets Entities in connection with the Formation Transactions and the IPO, which include, but are not limited to, the underwriting discounts and commissions. In the event the Closing does not occur, such costs and expenses shall be paid in accordance with the terms of that certain letter agreement entered into by the Property Entities (as defined therein) and American Assets, Inc., a California corporation, dated as of May 17, 2010.

Section 2.06 TERM OF THE AGREEMENT. This Agreement shall terminate automatically if (i) the initial registration statement of the REIT for the IPO (the "Registration

Statement") has not been filed with the SEC by March 31, 2011, or (ii) the contributions contemplated herein shall not have been consummated on or prior to December 31, 2011 (such date is hereinafter referred to as the "Outside Date").

Section 2.07 EFFECT OF TERMINATION. In the event of termination of this Agreement for any reason, all obligations on the part of the Operating Partnership the OP Subsidiary and each Contributor under this Agreement shall terminate, except that the obligations set forth in Article VI shall survive, it being understood and agreed, however, for the avoidance of doubt, that if this Agreement is terminated because one or more of the conditions to the non-breaching party's obligations under this Agreement are not satisfied by the Outside Date as a result of the other party's material breach of a covenant, representation, warranty or other obligation under this Agreement or any other Formation Transaction Documentation, the non-breaching party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

Section 2.08 TAX WITHHOLDING. The Operating Partnership and OP Subsidiary shall be entitled to deduct and withhold from the consideration payable pursuant to this Agreement to any holder of Contributed Interest such amounts required to be deducted and withheld with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the former holder of Contributed Interest in respect of which such deduction and withholding was made.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE OPERATING PARTNERSHIP AND OP SUBSIDIARY

Each of the Operating Partnership and OP Subsidiary hereby represents and warrants to each Contributor as follows:

Section 3.01 ORGANIZATION; AUTHORITY.

(a) Each of the Operating Partnership and OP Subsidiary has been duly incorporated or formed and is validly existing and in good standing under the Laws of its jurisdiction of formation or incorporation, as applicable, and, upon the effectiveness of the Operating Partnership Agreement, will have all requisite power and authority to enter into this Agreement and the other Formation Transaction Documentation and to carry out the transactions contemplated hereby and thereby, and to own, lease and/or operate its property and to carry on its business as presently conducted and each of the Operating Partnership and OP Subsidiary, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

(b) Schedule 3.01(b) sets forth as of the date hereof, (i) each Subsidiary of the Operating Partnership (each an "Operating Partnership Subsidiary"), (ii) the ownership interest

therein of the Operating Partnership, and (iii) if not wholly owned by the Operating Partnership, the identity and ownership interest of each of the other owners of such Operating Partnership Subsidiary. Each Operating Partnership Subsidiary has been duly organized or formed and is validly existing and is in good standing under the Laws of its jurisdiction of organization or formation, as applicable, has all requisite power and authority to own, lease and/or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Laws, is qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary, other than such failures to be so qualified as would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.02 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the other Formation Transaction Documentation (including each agreement, document and instrument executed and delivered by or on behalf of the Operating Partnership and OP Subsidiary pursuant to this Agreement or the other Formation Transaction Documentation) by the Operating Partnership and OP Subsidiary has been duly and validly authorized by all necessary actions required of each of the Operating Partnership and OP Subsidiary, respectively. This Agreement, the other Formation Transaction Documentation and each agreement, document and instrument executed and delivered by or on behalf of each of the Operating Partnership and OP Subsidiary pursuant to this Agreement or the other Formation Transaction Documentation constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of each of the Operating Partnership and OP Subsidiary, enforceable against each of the Operating Partnership and OP Subsidiary in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 3.03 CONSENTS AND APPROVALS. Except in connection with the IPO and the consummation of the other Formation Transactions or as shall have been obtained on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by the Operating Partnership or OP Subsidiary in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby, except for (i) those consents, waivers, approvals, authorizations, orders, licenses, permits, registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect, or (ii) those consents of the Pre-Formation Participants under the organizational documents of the applicable American Assets Entity, the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.04 NO VIOLATION. None of the execution, delivery or performance of this Agreement, the other Formation Transaction Documentation, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of the Operating Partnership or OP Subsidiary, (B) any agreement, document or

instrument to which the Operating Partnership or OP Subsidiary or any of their respective assets are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on the Operating Partnership or OP Subsidiary, except for, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have an OP Material Adverse Effect.

Section 3.05 VALIDITY OF OP UNITS. Any OP Units to be issued pursuant to this Agreement will have been duly authorized and, when issued against the consideration therefor, will be validly issued by the Operating Partnership, free and clear of all Liens created by the Operating Partnership (other than any Liens created by the Agreement of Limited Partnership of the Operating Partnership (the "Operating Partnership Agreement")).

Section 3.06 LITIGATION. Except for actions, suits or proceedings covered by policies of insurance, there is no action, suit or proceeding pending or, to the knowledge of the Operating Partnership or OP Subsidiary, threatened against the Operating Partnership or any Operating Partnership Subsidiary, other than actions, suits, proceedings that individually or in the aggregate, would not reasonably be expected, (a) if adversely determined, to have an OP Material Adverse Effect, or (b) to impair the ability of the Operating Partnership or OP Subsidiary to execute or deliver, or materially perform its obligations under, this Agreement and the documents executed by it pursuant to this Agreement or to consummate the transactions contemplated hereby or thereby, to such an extent as would result in an OP Material Adverse Effect.

Section 3.07 OPERATING PARTNERSHIP AGREEMENT. Attached as Exhibit F hereto is a true and correct copy of the Operating Partnership Agreement in substantially final form.

Section 3.08 LIMITED ACTIVITIES. Except for activities in connection with the IPO or the Formation Transactions or in the ordinary course of business, neither the Operating Partnership, the Operating Partnership Subsidiaries nor OP Subsidiary have engaged in any material business or incurred any material obligations.

Section 3.09 NO BROKER. Neither the Operating Partnership nor OP Subsidiary has entered into, and each of the Operating Partnership and OP Subsidiary covenants that it will not enter into, any agreement, arrangement or understanding with any Person or firm which will result in the obligation of any Contributor nor any Affiliates thereof to pay any finder's fee, brokerage commission or similar payment in connection with the transaction contemplated by this Agreement (other than underwriting discounts, commissions and other fees and expenses to be paid by the REIT in connection with the IPO and any related financing transactions).

Section 3.10 NO OTHER REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article III and any other agreement entered into in connection with the Formation Transactions, the Operating Partnership and OP Subsidiary shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby. All representations, warranties and covenants of the Operating Partnership and OP Subsidiary contained in this Agreement shall expire at Closing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE CONTRIBUTORS

Except as disclosed in the Prospectus or the schedules hereto, each Contributor hereby represents, warrants and agrees that as of the Closing Date:

Section 4.01 ORGANIZATION; AUTHORITY. If such Contributor is a natural person, such Contributor has the legal capacity and authority to execute, deliver and perform its obligations under this Agreement, and no Person has any community property rights, by virtue of marriage or otherwise, with respect to the Contributed Interest. If such Contributor is a Person other than a natural person, such Contributor has been duly formed, is validly existing and (to the extent such concept is applicable to such Person) in good standing under the Laws of its jurisdiction of formation, and has all requisite power and authority to enter into this Agreement, each agreement contemplated hereby and the other Formation Transaction Documentation to which it is a party (including any agreement, document and instrument executed and delivered by or on behalf of such Contributor pursuant to this Agreement or the other Formation Transaction Documentation) and to carry out the transactions contemplated hereby and thereby.

Section 4.02 DUE AUTHORIZATION. If such Contributor is a Person other than a natural person, the execution, delivery and performance of this Agreement (including any agreement, document and instrument executed and delivered pursuant to this Agreement) by such Contributor have been duly and validly authorized by all necessary actions required of such Contributor. This Agreement and each agreement, document and instrument executed and delivered by or on behalf of such Contributor pursuant to this Agreement constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of such Contributor, each enforceable against such Contributor in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Laws relating to creditors' rights and general principles of equity.

Section 4.03 OWNERSHIP OF CONTRIBUTED INTERESTS. Such Contributor is the sole record owner of all of its Contributed Interests and has the power and authority to transfer, sell, assign and convey to the Operating Partnership its Contributed Interests free and clear of any Liens and, upon delivery of the consideration for such Contributed Interests as provided herein, the Operating Partnership will acquire good and valid title thereto, free and clear of any Liens (other than those Liens created by the Organizational Documents governing such Contributed Interest). Except as provided for or contemplated by this Agreement or the other applicable Formation Transaction Documentation, there are no rights to purchase, veto rights with respect to transfers, subscriptions, warrants, options, conversion rights, preemptive rights, agreements, instruments or understandings of any kind outstanding (i) relating to its Contributed Interests or (ii) to purchase, transfer or to otherwise acquire, or to in any way encumber, any of the interests which comprise its Contributed Interests or any securities or obligations of any kind convertible into any of the interests which comprise its Contributed Interests. Such Contributor has no equity interest, either direct or indirect, in the Properties, except for such Contributor's Contributed Interests.

Section 4.04 CONSENTS AND APPROVALS. Except as shall have been obtained or satisfied on or prior to the Closing Date, no consent, waiver, approval, authorization, order, license, permit or registration of, qualification, designation, declaration, or filing with, any Person or Governmental Authority or under any applicable Laws is required to be obtained by such Contributor in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby, except for those consents, waivers, approvals, authorizations or registrations, qualifications, designations, declarations or filings, the failure of which to obtain or to file would not, individually or in the aggregate, reasonably be expected to have a material adverse effect.

Section 4.05 NO VIOLATION. None of the execution, delivery or performance of this Agreement, any agreement contemplated hereby between the parties to this Agreement and the transactions contemplated hereby between the parties to this Agreement does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a breach of, or constitute a default under or give to others any right of termination, acceleration, cancellation or other right under, (A) the organizational documents of such Contributor, if such Contributor is a person other than a natural Person, (B) any agreement, document or instrument to which such Contributor is a party or by which such Contributor or its Contributed Interests are bound or (C) any term or provision of any judgment, order, writ, injunction, or decree binding on such Contributor (or its assets or properties), except, in the case of clause (B) or (C), any such breaches or defaults that would not, individually or in the aggregate, reasonably be expected to have a material adverse effect.

Section 4.06 TAXES. Except as set forth in Schedule 4.06, such Contributor has included all income, gain, loss, deduction or other Tax items in such Contributor's income Tax returns in a manner consistent with the Schedule K-1's received by such Contributor from each American Assets Entity, the interests of which are being contributed by such Contributor.

Section 4.07 NON-FOREIGN PERSON. Unless otherwise indicated on the Contributor's Consent Form, such Contributor is a United States person (as defined in the Code).

Section 4.08 LITIGATION. Except as set forth in Schedule 4.08, to such Contributor's knowledge, there is no action, suit or proceeding pending or threatened against such Contributor affecting all or any portion of its Contributed Interests or such Contributor's ability to consummate the transactions contemplated hereby which, if adversely determined, would adversely affect such Contributor's ability to so consummate the transactions contemplated hereby. Such Contributor knows of no outstanding order, writ, injunction or decree of any Governmental Authority against or affecting all or any portion of such Contributor's Contributed Interests, which in any such case would impair such Contributor's ability to enter into and perform all of its obligations under this Agreement.

Section 4.09 INSOLVENCY. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or, to such Contributor's knowledge, threatened against such Contributor, nor are any such proceedings contemplated by such Contributor.

Section 4.10 INVESTMENT. Such Contributor acknowledges that the offering and issuance of the REIT Shares and/or OP Units to be acquired pursuant to this Agreement are intended to be exempt from registration under the Securities Act and that the REIT's and Operating Partnership's reliance on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of such Contributor contained herein and in such Contributor's Consent Form. In furtherance thereof, such Contributor represents and warrants to the Operating Partnership as follows:

(a) Such Contributor is an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act).

(b) Such Contributor is acquiring the REIT Shares and/or OP Units solely for its own account for the purpose of investment and not as a nominee or agent for any other Person and not with a view to, or for offer or sale in connection with, any distribution of any thereof in violation of the securities Laws.

(c) Such Contributor is knowledgeable, sophisticated and experienced in business and financial matters; such Contributor has previously invested in securities similar to the REIT Shares and/or OP Units and fully understands the limitations on transfer imposed by the federal securities Laws. Such Contributor is able to bear the economic risk of holding the REIT Shares and/or OP Units for an indefinite period and is able to afford the complete loss of its investment in the REIT Shares and/or OP Units; such Contributor has received and reviewed all information and documents about or pertaining to the Operating Partnership and the business and prospects of the Operating Partnership and the issuance of the REIT Shares and/or OP Units as such Contributor deems necessary or desirable, and has been given the opportunity to obtain any additional information or documents and to ask questions and receive answers about such information and documents, the REIT, the Operating Partnership and the business and prospects of the REIT and the Operating Partnership which such Contributor deems necessary or desirable to evaluate the merits and risks related to its investment in the REIT Shares and/or OP Units; and such Contributor understands and has taken cognizance of all risk factors related to the purchase of the REIT Shares and/or OP Units. Such Contributor is relying upon its own independent analysis and assessment (including with respect to taxes), and the advice of such Contributor's advisors (including tax advisors), and not upon that of the Operating Partnership or any of the Operating Partnership's Affiliates, for purposes of evaluating, entering into, and consummating the transactions contemplated hereby.

(d) Such Contributor acknowledges that (i) the OP Units are not redeemable or exchangeable for cash or REIT Shares for a minimum of 14 months after the date of issuance, and (ii) the REIT Shares and/or OP Units have not been registered under the Securities Act and, therefore, unless registered under the Securities Act or an exemption from registration is available, must be held (and the Contributor must continue to bear the economic risk of the investment in the REIT Shares and/or OP Units) indefinitely and may not be transferred or sold.

Section 4.11 NO OTHER REPRESENTATIONS OR WARRANTIES. Other than the representations and warranties expressly set forth in this Article IV and any other agreement entered into by such Contributor in connection with the Formation Transactions, such Contributor shall not be deemed to have made any other representation or warranty in connection with this Agreement or the transactions contemplated hereby.

Section 4.12 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The parties hereto agree and acknowledge that the representations and warranties set forth in this Article IV (other than Section 4.01, Section 4.02, Section 4.03, Section 4.07 and Section 4.10) shall not survive the Closing.

ARTICLE V

COVENANTS AND OTHER AGREEMENTS

Section 5.01 COVENANTS OF THE CONTRIBUTORS. From the date hereof through the Closing, except as otherwise provided for or as contemplated by this Agreement or the other applicable Formation Transaction Documentation, each Contributor shall not without the prior written consent of the Operating Partnership, which consent may be withheld by the Operating Partnership in its sole discretion:

(a) Sell, transfer or otherwise dispose, or agree to sell, transfer or otherwise dispose of, all or any portion of the Contributed Interests, or cause the sale, transfer or disposal of all or any portion of the Contributed Interests;

(b) Mortgage, pledge, hypothecate, encumber (or agree, permit or cause to become encumbered) all or any portion of the Contributed Interests;

(c) Cause the applicable American Assets Entity or its Subsidiaries to: file an entity classification election pursuant to Treasury Regulation Section 301.7701-3(c) on Internal Revenue Service Form 8832 (Entity Classification Election) to treat such American Assets Entity or any of its Subsidiaries as an association taxable as a corporation for United States federal income tax purposes; make or change any other Tax elections; settle or compromise any claim, notice, audit report or assessment in respect of Taxes; change any annual Tax accounting period; adopt or change any method of Tax accounting; file any amended Tax return; enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any Tax; surrender of any right to claim a Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment; or

(d) Authorize or consent to, permit or cause any American Assets Entity to take, any of the actions prohibited by the Formation Transaction Documentation.

Section 5.02 COMMERCIALLY REASONABLE EFFORTS BY THE OPERATING PARTNERSHIP AND THE CONTRIBUTORS. Each of the Operating Partnership and each Contributor shall use commercially reasonable efforts and cooperate with each other in (i) promptly determining whether any filings are required to be made or consents, approvals, waivers, permits or authorizations are required to be obtained (under any applicable Law or regulation or from any Governmental Authority or third party) in connection with the transactions contemplated by this Agreement, and (ii) promptly making any such filings, in furnishing information required in connection therewith and in timely seeking to obtain any such consents, approvals, waivers, permits or authorizations.

Section 5.03 TAX MATTERS.

(a) So long as some portion of the Contribution Consideration with respect to the Contributed Interests is in the form of OP Units, the parties hereto intend and agree that, for United States federal income tax purposes, the Contribution of such Contributed Interests shall constitute an "assets-over" partnership merger within the meaning of Treasury Regulations Section 1.708-1(c)(3)(i), and, as a result, that (i) any payment of cash or REIT Shares for the Contributed Interests shall be treated as a sale of such Contributed Interests by the holder and a purchase of such Contributed Interests by the Operating Partnership for the cash and/or REIT Shares so paid under the terms of this Agreement in accordance with Treasury Regulations Section 1.708-1(c)(4), and (ii) each such holder of the Contributed Interests who accepts cash and/or REIT Shares shall explicitly agree and consent (the "Sale Consent") to such treatment in their Consent Form as a condition to electing such consideration. To the extent the Operating Partnership acquires any Contributed Interests as described above, or previously acquired such interest, for United States federal income tax purposes the receipt by the Operating Partnership of the portion of property attributable to such Contributed Interests shall be treated as a distribution by applicable American Assets Entity in redemption of such Contributed Interests. Notwithstanding Section 1.02 and any holder's election as to the form of their Contribution Consideration, if any holder (other than a non-accredited investor), fails to execute a Sale Consent prior to the Closing, such holder's Contribution Consideration shall consist solely of OP Units. Any cash paid as the Contribution Consideration to a non-accredited investor for a Contributed Interest shall be paid only after the receipt of a Sale Consent from such holder

(b) The Operating Partnership shall prepare or cause to be prepared and file or cause to be filed all income Tax returns of each American Assets Entity the Contributed Interests of which have been contributed pursuant to this agreement and any Subsidiary of such American Assets Entity which are due after the Closing Date. All such income Tax returns (including, for the avoidance of doubt, any amended Tax returns) shall be prepared in a manner consistent with past practice, except as otherwise required by applicable law. No later than ten (10) days prior to the due date (including extensions) for filing such income Tax returns, the Operating Partnership shall deliver such income Tax returns to American Assets, Inc. for its review and approval, which shall not be unreasonably withheld.

(c) The Operating Partnership shall prepare or cause to be prepared all other Tax returns of each American Assets Entity the Contributed Interests of which have been contributed pursuant to this agreement and any Subsidiary of such American Assets Entity.

(d) The REIT, the Operating Partnership and each Contributor shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax returns related to the transactions pursuant to this Agreement and any audit, litigation or administrative, judicial or other inquiry or proceeding with respect to Taxes related to the transactions pursuant to this Agreement. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such action or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The REIT, the Operating Partnership and each Contributor further agree, upon request, to use their reasonable efforts to obtain any certificate or other document from any governmental authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed with respect to the transactions contemplated hereby.

(e) Prior to Closing, each Contributor shall deliver to the Operating Partnership a properly executed certificate prepared in accordance with Treasury regulations section 1.1445-2(b) certifying such Contributor's non-foreign status, and if requested by the Operating Partnership, and any similar withholding certificates or other forms under applicable state, local or foreign Tax laws.

(f) The REIT and the Operating Partnership make no representations or warranties to the Contributors or to the American Assets Entities regarding the Tax treatment of the contributions pursuant to this Agreement or of the other Formation Transactions, or with respect to any other Tax consequences to any Contributor or any American Assets Entity of this Agreement or the other Formation Transactions. Each Contributor acknowledges that each American Assets Entity and each Contributor are relying solely on their own Tax advisors in connection with this Agreement and the other Formation Transactions.

Section 5.04 CONSENT AND WAIVER OF RIGHTS UNDER ORGANIZATIONAL DOCUMENTS. As of the Closing, each Contributor waives and relinquishes all rights and benefits otherwise afforded to the Contributor (a) under the Organizational Documents of the applicable American Assets Entity including, without limitation, any rights of appraisal, rights of first offer or first refusal, buy/sell agreements, put, option, or similar parallel exit or dissenter rights in connection with the Formation Transactions and the IPO, and any right to consent to or approve of the sale or contribution or other transaction undertaken by the other partners or members of the applicable American Assets Entity of their Contributed Interests to the Operating Partnership, the REIT or any direct or indirect subsidiary thereof and any and all notice provisions related thereto, (b) to the extent permissible under applicable Laws, any statutory rights with respect to the Contributed Interests or the applicable American Assets Entity and (c) for claims against the REIT or the Operating Partnership for breach by any Contributor or any of their respective present or former officers, directors, managing members, general partners or Affiliates of their fiduciary duties or similar obligations (including duties of disclosure) to any of their respective present or former shareholders, members, partners, equity interest holders or Affiliates or the terms of the applicable Organizational Documents. Each Contributor acknowledges that the agreements contained herein and the transactions contemplated hereby and any actions taken in contemplation of the transactions contemplated hereby may conflict with, and may not have been contemplated by, the Organizational Documents of the applicable American Assets Entity or other agreements among one or more holders of such Contributed Interests or one or more of the partners or members of any such American Assets Entity. With respect to each American Assets Entity and each Property in which a Contributed Interest of the Contributor represents a direct or indirect interest, such Contributor expressly gives all consents (and any consents necessary to authorize the proper parties in interest to give all consents) and waivers it is entitled to give that are necessary or desirable to facilitate the contribution or other Formation Transactions relating to such American Assets Entity or property. In addition, if the transactions contemplated hereby occur, this Agreement shall be deemed to be an amendment to the Organizational Documents of the applicable American Assets Entity to the extent the terms herein conflict with the terms thereof, including without limitation, terms with respect to allocations, distributions and the like. In the event the transactions contemplated by this

Agreement do not occur, nothing in this Agreement shall be deemed to be or construed as an amendment or modification of, or commitment of any kind to amend or modify, the Organizational Documents of the applicable American Assets Entity, which shall remain in full force and effect without modification.

Section 5.05 EXCLUDED ASSETS. Prior to or, as specified on Schedule 5.05, as soon as possible following the Closing and after such amounts are reasonably determinable, each American Assets Entity and its Subsidiaries shall distribute or cause to be distributed or paid out the assets identified on Schedule 5.05 (the "Excluded Assets").

Section 5.06 OBLIGATIONS OF OP SUBSIDIARY. Subject to the terms of this Agreement, the Operating Partnership shall take all reasonable action necessary to cause OP Subsidiary (i) to be formed prior to the Closing Date and become a party to this Agreement by executing a counterpart of this Agreement where indicated on the signature page hereof (the date of such execution, the "Joinder Date") and (ii) to perform its obligations under this Agreement and to consummate the transactions contemplated hereby on the terms and conditions set forth in this Agreement. All representations, warranties, covenants, agreements, rights and obligations of OP Subsidiary herein shall become effective as to OP Subsidiary as of the Joinder Date.

Section 5.07 ALTERNATE TRANSACTION. In the event that the Operating Partnership determines that a structure change is necessary, advisable or desirable, the Operating Partnership may elect, in its sole and absolute discretion, to effect the Alternate Transaction, without the need for the Operating Partnership to seek any further consent or action from any Contributor, and each Contributor shall, and it shall cause its stockholders, members or partners, as applicable, and Subsidiaries to, enter into such agreements as shall be necessary to consummate the Alternate Transaction.

Section 5.08 EXCLUSION OF INTERESTS. The parties hereby agree that the Operating Partnership shall have the right, in its sole discretion, to exclude any Contributed Interest, or any interest held directly or indirectly through a Contributed Interest, from this contribution after the date hereof until the Effective Time, provided that the Operating Partnership shall provide prior written notice to such Contributor regarding such exclusion.

ARTICLE VI

GENERAL PROVISIONS

Section 6.01 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed given when (a) delivered personally, (b) five (5) Business Days after being mailed by certified mail, return receipt requested and postage prepaid, (c) one (1) Business Day after being sent by a nationally recognized overnight courier or (d) transmitted by facsimile if confirmed within twenty-four (24) hours thereafter by a signed original sent in the manner provided in clause (a), (b) or (c) to the parties at the following addresses (or at such other address for a party as shall be specified by notice from such party):

(a) if to the Operating Partnership to:

American Assets Trust, L.P.
c/o American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, California 92130
Facsimile: (858) 350-2620
Attention: Chief Executive Officer

(b) If to a Contributor, to the address set forth opposite such Contributor's name on Schedule I hereto.

Section 6.02 DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings.

(a) "Accredited Investor" has the meaning set forth under Regulation D of the Securities Act.

(b) "Affiliate" means, with respect to any Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(c) "Allocated Share" means the amount that would be allocated to a Pre-Formation Participant that is the holder of an interest in an American Assets Entity in accordance with the provisions of the existing Organizational Documents of such entity relating to distributions of distributable net proceeds from sales of directly or indirectly owned properties or assets, and assuming the sale of the relevant Target Asset or Target Assets that are directly or indirectly owned by such entity for a value equal to such Target Asset's or Target Assets' respective Equity Value(s).

Notwithstanding the foregoing, the Allocated Share of any Pre-Formation Participant shall reflect the following adjustments:

1. Intercompany Debt Adjustment. In calculating Allocated Share, all Intercompany Debt shall be taken into account so that the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligor of Intercompany Debt collectively are reduced, and the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in the obligee of such Intercompany Debt collectively are increased, in each case by the amount of such Intercompany Debt (such adjustments being referred to as "Intercompany Debt Adjustments").
2. Entity Specific Debt Adjustment. To the extent that Entity Specific Debt is allocated to a Target Asset, in calculating Allocated Shares of holders of direct or indirect Pre-Formation Interests in the American Assets Entity or Entities owning such Target Asset, the amount of the decrease in Equity Value of such Target Asset attributable to the allocation of such Entity Specific Debt to such Target Asset (through the operation of the formula set forth on Schedule II) (in each case, such decrease being the "Decrease") shall be taken into account so that:
    a. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in any obligor(s) under such Entity Specific Debt collectively shall be (i) reduced by the amount equal to the excess of (w) the amount of the Entity Specific Debt owed by such obligor over (x) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset; or (ii) increased by the amount equal to the excess of (y) the amount of the Decrease allocated pro rata to such obligor as a direct or indirect owner of the Target Asset over (z) the amount of the Entity Specific Debt owed by such obligor; and

b. the Allocated Shares of the holders of direct or indirect Pre-Formation Interests in American Assets Entities owning such Target Asset that are not obligors under such Entity Specific Debt collectively shall be increased by the amount equal to the amount of the Decrease allocated pro rata to such holders as direct or indirect owner of the Target Asset;

with the net effect under the foregoing clauses (a)(i), (a)(ii) and (b) being that the adverse economic impact of the Decrease shall be borne equitably by the holders of direct or indirect Pre-Formation Interests in the actual obligor(s) under such Entity Specific Debt and not by any other holder of direct or indirect Pre-Formation Interests in the American Assets Entities owning such Target Asset.

Illustrative examples of the application of the foregoing Allocated Share adjustments using hypothetical numbers are included as Example 3 and Example 4 in ***Appendix A*** to Schedule II.

(d) "Alternate Transaction" means (i) a contribution of all or a portion of the assets of the Contributed Entity held directly or indirectly by a Contributor to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets contributed to the Operating Partnership), (ii) a contribution by each holder of direct or indirect equity interests in a Contributor to the Operating Partnership in exchange for the amount of cash and the number of OP Units and/or REIT Shares that would have otherwise been received by such holder of direct or indirect equity interests pursuant to this Agreement, (iii) the restructuring of this transaction as either (x) a merger of the Contributed Entity with and into either the REIT or a wholly owned subsidiary of the REIT, or the Operating Partnership or a wholly owned Subsidiary of the Operating Partnership or (y) a merger of a wholly owned subsidiary of either the REIT or the Operating Partnership with and into the Contributed Entity, in each case in exchange for the amount of cash and the number of OP Units and/or REIT Shares that were to be issued pursuant to this Agreement, or (iv) any other transaction pursuant to which the REIT, the Operating Partnership or any of their Subsidiaries acquire the Contributed Entity or all or a portion of the assets held directly or indirectly by a Contributor or the Contributed Entity in a transaction pursuant to which such Contributor receives the amount of cash, the number of OP Units and/or the number of REIT Shares that were to be received by such Contributor pursuant to this Agreement (or a portion thereof equal in value to the value of the portion of such assets acquired by the REIT, the Operating Partnership or any of their Subsidiaries pursuant to such Alternate Transaction).

(e) "American Assets Entity" means a Forward OP Merger Entity, Forward REIT Merger Entity, OP Sub Reverse Merger Entity, OP Sub Forward Merger Entity, REIT Sub Forward Merger Entity, or Contributed Entity, as applicable. As used herein, "American Assets Entities" refer to each American Assets Entity, collectively.

(f) "Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State of California.

(g) "Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated or issued thereunder.

(h) "Consent Form" means the forms provided to each holder of Pre-Formation Interests to consent to the Formation Transactions and to make such holder's irrevocable elections with respect to consideration to be received in the Formation Transactions.

(i) "Elected OP Unit Percentage" means, with respect to the Contribution Consideration to be received by any Contributor for any Contributed Interest, the percentage of the Allocated Share represented by such Contributed Interest that the Contributor has made a Valid Election to receive in the form of OP Units.

(j) "Elected REIT Share Percentage" means, with respect to the Contribution Consideration to be received by any Contributor for any Contributed Interest, the percentage of the Allocated Share represented by such Contributed Interest that the Contributor has made a Valid Election to receive in the form of REIT Shares.

(k) "Equity Value" has the meaning set forth in Schedule II hereto.

(l) "Escrow Agreement" means the Indemnity Escrow Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the REIT, acting in the capacity of Escrow Agent.

(m) "Formation Transaction Documentation" means all of the agreements and plans of merger relating to all target entities and all contribution agreements (including this Agreement) and related documents and agreements substantially in the forms accompanying the Request for Consent dated July 31, 2010 and identified in Exhibit G hereto, pursuant to which all of the American Assets Entities and/or the equity interests in the American Assets Entities held by the Pre-Formation Participants are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

(n) "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

(o) "Governmental Authority" means any government or agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(p) "Intercompany Debt" means loans or advances among American Assets Entities and/or their Subsidiaries or among holders of Pre-Formation Interests on the one hand and American Assets Entities and/or their Subsidiaries on the other hand, other than those promissory notes set forth on ***Appendix D*** to Schedule II for which Del Monte Center is listed as the associated Target Asset, each of which loans or advances are set forth on Schedule III hereto. Intercompany Debt shall not be discharged pursuant to the Formation Transactions except to the extent any such Intercompany Debt merges out of existence by operation of law as a result of

such transactions (e.g., if the Operating Partnership acquires both the obligor and obligee interest in a loan which reflects an Intercompany Debt). After the closing of the Formation Transactions, and except as provided below, to the extent any such loans are acquired by the REIT, Operating Partnership or their Subsidiaries (e.g., an obligor or obligee with respect to such loans is merged with or into, or acquired by, one of such entities), the REIT, Operating Partnership or their Subsidiaries (as applicable) shall be permitted to take any actions (including repayment) with respect to such Intercompany Debt as they deem appropriate. Intercompany Debt with respect to which either the obligor or the obligee (but not both such parties) under such Intercompany Debt is acquired, directly or indirectly, by the REIT, Operating Partnership or their Subsidiaries, shall be deemed to be discharged immediately after the Formation Transactions by (i) the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligor, or (ii) the obligor to the REIT, Operating Partnership or their Subsidiaries (as applicable) as obligee, in each case in exchange for the consideration payable as set forth in the applicable Formation Transaction Documentation. The amounts payable and receivable with respect to each item of Intercompany Debt shall be determined by the REIT, for purposes of determining the Intercompany Debt Adjustments, within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

(q) "IPO Closing Date" means the closing date of the IPO.

(r) "IPO Price" means the initial public offering price of a REIT Share in the IPO.

(s) "Laws" means laws, statutes, rules, regulations, codes, orders, ordinances, judgments, injunctions, decrees and policies of any Governmental Authority, including, without limitation, zoning, land use or other similar rules or ordinances.

(t) "Liens" means all pledges, claims, liens, charges, restrictions, controls, easements, rights of way, exceptions, reservations, leases, licenses, grants, covenants and conditions, encumbrances and security interests of any kind or nature whatsoever.

(u) "Lock-Up Agreement" means that certain Lock-Up Agreement, by and between the underwriters and each investor of the REIT and/or the Operating Partnership.

(v) "OP Material Adverse Effect" means any material adverse change in any of the assets, business, condition (financial or otherwise), results of operation or prospects of the Operating Partnership and each Operating Partnership Subsidiary, taken as a whole.

(w) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(x) "Pre-Formation Interests" means the interests held by the Pre-Formation Participants in the American Assets Entities.

(y) "Pre-Formation Participants" means the holders of the equity interests in the relevant American Assets Entities immediately prior to the Formation Transactions.

(z) "Properties" means the office or other property owned by the American Assets Entities or any of their Subsidiaries or leased pursuant to a ground lease.

(aa) "Prospectus" means the REIT's final prospectus as filed with the SEC.

(bb) "Representation, Warranty and Indemnity Agreement" means the Representation, Warranty and Indemnity Agreement, dated as of the date hereof, by and among the REIT, the Operating Partnership and the Rady Trust.

(cc) "Securities Act" means the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder.

(dd) "Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or other legal entity of which such Person owns (either directly or through or together with another Subsidiary of such Person) either (i) a general partner, managing member or other similar interest, or (ii)(A) ten percent (10%) or more of the voting power of the voting capital stock or other equity interests, or (B) ten percent (10%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other legal entity.

(ee) "Target Asset" has the meaning set forth in Schedule II hereto.

(ff) "Tax" means all federal, state, local and foreign income, gross receipts, license, property, withholding, sales, franchise, employment, payroll, goods and services, stamp, environmental, customs duties, capital stock, social security, transfer, alternative minimum, excise and other taxes, tariffs or governmental charges of any nature whatsoever, including estimated taxes, together with penalties, interest or additions to Tax with respect thereto, whether or not disputed.

(gg) "Tax Protection Agreement" means that certain Tax Protection Agreement, by and among the REIT, the Operating Partnership and the parties identified as a signatory on Schedule A thereto.

(hh) "Valid Election" means, with respect to any Contributed Interest, an irrevocable election to receive all or a portion of its Allocated Share in the form of OP Units or REIT Shares as indicated on the properly completed and timely received Consent Form of the Contributor or a Consent Form as to which any deficiencies have been waived by the REIT.

Section 6.03 COUNTERPARTS. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

Section 6.04 ENTIRE AGREEMENT; THIRD-PARTY BENEFICIARIES. This Agreement, the other Formation Transaction Documentation and the Consent Forms to which the parties hereto are a party, including, without limitation, the exhibits and schedules hereto and thereto, constitute the entire agreement and, except as set forth in Section 2.05, supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any Person other than the parties hereto.

Section 6.05 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, regardless of any Laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 6.06 ASSIGNMENT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns; *provided, however*, that this Agreement may not be assigned (except by operation of law) by any party without the prior written consent of the other parties, and any attempted assignment without such consent shall be null and void and of no force and effect, except that each of the Operating Partnership and the OP Subsidiary may assign their respective rights and obligations hereunder to an Affiliate.

Section 6.07 JURISDICTION. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the County of San Diego, with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper.

Section 6.08 DISPUTE RESOLUTION. The parties intend that this Section 6.08 will be valid, binding, enforceable, exclusive and irrevocable and that it shall survive any termination of this Agreement.

(a) Upon any dispute, controversy or claim arising out of or relating to this Agreement or the enforcement, breach, termination or validity thereof ("Dispute"), the party raising the Dispute will give written notice to the other parties to the Dispute describing the nature of the Dispute following which the parties to such Dispute shall attempt for a period of ten (10) Business Days from receipt by the parties of notice of such Dispute to resolve such Dispute by negotiation between representatives of the parties hereto who have authority to settle such Dispute. All such negotiations shall be confidential and any statements or offers made therein shall be treated as compromise and settlement negotiations for purposes of any applicable rules of evidence and shall not be admissible as evidence in any subsequent proceeding for any purpose. The statute of limitations applicable to the commencement of a lawsuit shall apply to the commencement of an arbitration hereunder, except that no defense based on the running of the statute of limitations will be available based upon the passage of time during any such negotiation. Regardless of the foregoing, a party shall have the right to seek immediate injunctive relief pursuant to Section 6.08(c) below without regard to any such ten (10) Business Day negotiation period.

(b) Any Dispute (including the determination of the scope or applicability of this agreement to arbitrate) that is not resolved pursuant to Section 6.08(a) above shall be submitted to final and binding arbitration in California before one neutral and impartial

arbitrator, in accordance with the Laws of the State of California for agreements made in and to be performed in that State. The arbitration shall be administered by JAMS, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures. Within fifteen (15) days following a demand for arbitration, the arbitrator shall be appointed by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures, as in effect on the date hereof. The arbitrator shall designate the place and time of the hearing. The hearing shall be scheduled to begin as soon as practicable and no later than sixty (60) days after the appointment of the arbitrator (unless such period is extended by the arbitrator for good cause shown) and shall be conducted as expeditiously as possible. The award, which shall set forth the arbitrator's findings of fact and conclusions of law, shall be filed with JAMS and mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration award shall be final and binding on the parties and not subject to collateral attack. Judgment upon the arbitration award may be entered in any federal or state court having jurisdiction thereof.

(c) Notwithstanding the parties' agreement to submit all Disputes to final and binding arbitration before JAMS, the parties shall have the right to seek and obtain temporary or preliminary injunctive relief in any court having jurisdiction thereof. Such courts shall have authority to, among other things, grant temporary or provisional injunctive relief in order to protect any party's rights under this Agreement. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(d) The prevailing party shall be entitled to recover its costs and reasonable attorneys' fees, and the non-prevailing party shall pay all expenses and fees of JAMS, all costs of the stenographic record, all expenses of witnesses or proofs that may have been produced at the direction of the arbitrator, and the fees, costs, and expenses of the arbitrator. The arbitrator shall allocate such costs and designate the prevailing party or parties for these purposes.

Section 6.09 SEVERABILITY. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable Law, but if any provision is held invalid, illegal or unenforceable under applicable Law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

Section 6.10 RULES OF CONSTRUCTION.

(a) The parties hereto agree that they had the opportunity to be represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any Law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any

particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All terms defined in this Agreement shall have the defined meanings contained herein when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms. Unless explicitly stated otherwise herein, any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time, amended, qualified or supplemented, including (in the case of agreements and instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

Section 6.11 EQUITABLE REMEDIES. The parties agree that irreparable damage would occur to the Operating Partnership in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Operating Partnership shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by a Contributor and to enforce specifically the terms and provisions hereof in any federal or state court located in California, this being in addition to any other remedy to which the Operating Partnership is entitled under this Agreement or otherwise at law or in equity.

Section 6.12 TIME OF THE ESSENCE. Time is of the essence with respect to all obligations under this Agreement.

Section 6.13 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 6.14 NO PERSONAL LIABILITY CONFERRED. This Agreement shall not create or permit any personal liability or obligation on the part of any officer, director, partner, employee or shareholder of the Operating Partnership or any of the Contributors.

Section 6.15 CONSENT OF PARTNER, MANAGER OR MEMBER. In accordance with the terms of certain of the agreements governing the Contributed Interests, the undersigned, in its capacity as a partner, manager or member of one or more of the American Assets Entity in which Contributed Interest are held, consents to the applicable transfers contemplated in Section 1.01 hereof and the admission of the Operating Partnership as a substituted partner or member in each applicable American Assets Entity and waives any right of first refusal which the undersigned has with respect of the transfer of any of the Contributed Interests to the Operating Partnership.

Section 6.16 WAIVER OF SECTION 1542 PROTECTIONS. As of the Closing Date, each of the parties hereto expressly acknowledges that it has had, or has had and waived, the

opportunity to be advised by independent legal counsel and hereby waives and relinquishes all rights and benefits afforded by Section 1542 of the California Civil Code and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542 which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.

Section 6.17 AMENDMENTS. This Agreement may be amended by appropriate instrument, without the consent of any Contributor, at any time prior to the Closing Date; *provided*, that no such amendment, modification or supplement shall be made that alters the amount or changes the form of the consideration to be delivered to the Contributors, without the prior written consent of any Contributor adversely affected by such proposed amendment, modification or supplement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers or representatives, all as of the date first written above.

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its General Partner

By: _____
Name:
Title:

AMERICAN ASSETS TRUST, INC., a Maryland corporation

By: _____
Name:
Title:

[OP SUBSIDIARY],
a Delaware limited liability company

By: _____
Name:
Title:

EACH CONTRIBUTOR LISTED ON SCHEDULE I HERETO

By: AMERICAN ASSETS TRUST, INC.,
a Maryland corporation
Its: Attorney-in-Fact

By: _____
Name: John W. Chamberlain
Title: President

Schedule I

CONTRIBUTOR

See individual contribution agreements

Schedule II

Calculation of Equity Value

For purposes of all Formation Transaction Documentation, "Equity Value" of any Target Asset directly or indirectly owned by the American Assets Entity subject to such agreement shall be calculated pursuant to the formula set forth below. Capitalized terms used in this Schedule II shall have the meanings set forth below and capitalized terms used herein without definition shall have the meanings assigned to such terms in the Agreement.

$$EV = EP \times [TFTV\text{-}TPA] + AA;$$

where:

EV = Equity Value;
EP = Equity Percentage;
TFTV= Total Formation Transaction Value;
TPA = Total Portfolio Adjustment; and
AA = Asset Adjustment;

provided, however, that if the resulting Equity Value for a Target Asset is a negative amount (a "Net Deficit"), then the REIT shall exercise one of the following options, as determined by the REIT in its sole and absolute discretion: (i) select the Target Asset as an Eliminated Asset or (ii) if one or more entities that are subject to the Formation Transaction Documentation that are the direct or indirect owners of such Target Asset would otherwise possess Excluded Assets the value of which in the aggregate would equal or exceed the amount of such Net Deficit, increase the Target Net Working Capital with respect to such entity or entities by the absolute value of such Net Deficit; and *provided further* that if the REIT shall have exercised option (ii) with respect to any Target Asset, the Equity Value with respect to such Target Asset shall be deemed to be equal to zero;

provided further, that if the Equity Value for ICW Valencia/Valencia Corporate Center as calculated above would result in the holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. having an amount of Allocated Shares, prior to the application of the Intercompany Debt Adjustments, that is less than the value of the Intercompany Debt owed by ICW Valencia, L.P. to ICW Plaza, L.P. (such shortfall being referred to as the "Intercompany Debt Shortfall"), then (i) Western Insurance Holdings, Inc. shall issue a promissory note with a term of three years to ICW Valencia, L.P. which shall be treated as an Asset Adjustment with respect to ICW Valencia/Valencia Corporate Center and such promissory note (the "WIH Note") shall have such face amount as shall be necessary to increase the Equity Value of ICW Valencia/Valencia Corporate Center such that the Allocated Shares of holders of direct or indirect Pre-Formation Interests in ICW Valencia, L.P. shall increase by an amount, prior to the application of the Intercompany Debt Adjustments, equal to the Intercompany Debt Shortfall and (ii) the Equity Value for ICW Valencia/Valencia Corporate Center shall be recalculated to give effect to the Asset Adjustment attributable to the issuance of the WIH Note.

Attached as ***Appendix A*** to this Schedule II are illustrative calculations of Equity Value for a hypothetical portfolio of Target Assets.

"Actual Balance" shall mean: (i) with respect to each Existing Loan to be assumed in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such assumption and all assumption fees and any related expenses with respect to such Existing Loan; and (ii) with respect to each Existing Loan to be prepaid, repaid or refinanced in connection with the IPO, the unpaid principal amount of and past due unpaid interest on such Existing Loan as of the IPO Closing Date and immediately prior to any such prepayment, repayment or refinancing and any related prepayment penalties and any related expenses; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Actual Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed. With respect to each Existing Loan to be assumed, prepaid, repaid or refinanced in connection with the Formation Transactions, the Actual Balance as of the Closing Date shall be determined by the REIT within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow based on its good faith estimate of what such amounts will be as of the IPO Closing Date.

"Asset Adjustment" shall mean with respect to each Target Asset and any Existing Loan relating to such Target Asset, an amount equal to the Base Balance minus the Actual Balance (expressed as a positive or negative number, as applicable) with respect to all Existing Loans relating to such Target Asset, and in the case of ICW Valencia/Valencia Corporate Center, the face value of the WIH Note shall be deemed to reduce the Actual Balance of the Existing Loan relating to ICW Valencia/Valencia Corporate Center.

"Base Balance" shall mean with respect to each Existing Loan, the principal amount of such Existing Loan set forth on ***Appendix C*** to this Schedule II; *provided*, however, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then the Base Balance for such Target Asset shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Eliminated Asset" shall mean any Target Asset subject to the Formation Transaction Documentation that is excluded pursuant to the terms of the Formation Transaction Documentation from the Formation Transactions.

"Equity Percentage" shall mean with respect to each Target Asset, the percentage (expressed as a decimal) set forth opposite the name of such Target Asset on ***Appendix B*** to this Schedule II (which percentage is based on the Fairness Opinion of Duff & Phelps, LLC and represents such Target Asset's percentage of the net asset values of the Target Assets (other than the

Management Company) and the net equity value of the Management Company, taken as a whole); *provided, however*, that in the event a Target Asset is selected as or otherwise becomes for any reason an Eliminated Asset, then: (i) the Equity Percentage for each remaining Target Asset shall be recalculated as a fraction, the numerator of which is the original Equity Percentage for such remaining Target Asset and the denominator of which is (A) 100 minus (B) the original Equity Percentage of the Eliminated Asset; and (ii) the Equity Percentage of the Eliminated Asset shall be zero; and *provided, further*, that in the event a Target Asset is not included in the Formation Transactions pursuant to a merger (or contribution of all direct or indirect Pre-Formation Interests in such Target Asset) but a portion of the direct or indirect Pre-Formation Interests in such Target Asset is otherwise contributed to the Operating Partnership or a subsidiary of the Operating Partnership, then, after giving effect to any Eliminated Assets pursuant to the preceding proviso, the Equity Percentage for such Target Asset and for each other remaining Target Asset subject directly or indirectly to the Formation Transaction Documentation shall be proportionately adjusted to take into account the portion of the direct or indirect Pre-Formation Interests in such Target Asset that will not be so contributed.

"Excluded Assets" has the meaning set forth in Section 5.03 to the Agreement.

"Existing Loan" shall mean (i) each mortgage or mezzanine loan secured by a Target Asset listed on ***Appendix C*** to this Schedule II and (ii) all unsecured indebtedness of an American Assets Entity or of an entity in which an American Assets Entity has a direct or indirect interest that will be assumed, prepaid, repaid or refinanced in connection with the IPO and that is set forth on ***Appendix D*** to this Schedule II (all indebtedness falling within the scope of this clause (ii) shall be referred to as "Entity Specific Debt"); for the avoidance of doubt, no Intercompany Debt shall constitute an Existing Loan (in order to avoid double counting, as Intercompany Debt is adjusted for through the definition of "Allocated Share"). Existing Entity Specific Debt will be deemed to relate to the Target Asset(s) and, if to multiple Target Assets, in the proportions set forth opposite the name of such Entity Specific Debt on ***Appendix D*** to this Schedule II, and all such Entity Specific Debt will be deemed to have a Base Balance of zero (because "Equity Percentage" as determined by Duff & Phelps, LLC was determined at the property level and did not take into account Entity Specific Debt, Entity Specific Debt is deemed to be zero in order to cause a readjustment of "Equity Value" of all Target Assets after taking into account such Entity Specific Debt).

"Target Asset" shall mean each property set forth on Appendix B to this Schedule II and the property management business of American Assets, Inc. (the "Management Company").

"Target Net Working Capital" has the meaning set forth in Schedule 5.03 to the Agreement.

"Total Portfolio Adjustment" shall mean the sum (which may be a positive or negative number) of all Asset Adjustments for every Target Asset, excluding Eliminated Assets.

"Total Formation Transaction Value" shall mean the aggregate dollar value of (i) the cash, (ii) the REIT Shares and (iii) the OP Units that are issued or issuable to all Pre-Formation Participants in the Formation Transactions as set forth in the Prospectus. Total Formation Transaction Value will be determined valuing REIT Shares and OP Units at a value per REIT Share or OP Unit equal to the IPO Price.

Appendix A to Schedule II

Worked Examples

The figures and calculations included in this ***Appendix A*** are for illustrative purposes only and are based on a hypothetical portfolio of properties. Neither the hypothetical Total Formation Transaction Value nor any of the other figures or calculations presented on ***Appendix A*** shall be binding on the REIT or the Operating Partnership, and should not be considered an indication of value of the American Assets Entities. The value of the American Assets Entities will ultimately be determined by the REIT in consultation with the underwriters of the IPO based on public investor demand and may be lower or higher than the hypothetical Total Formation Transaction Value shown on ***Appendix A***. In addition, the calculations in ***Appendix A*** assume that each of Target Assets in this hypothetical portfolio of properties will be wholly owned, directly or indirectly, by the REIT.

Example - Base Case

In the hypothetical examples shown below, the Target Assets that will be acquired by the REIT in the Formation Transactions consist of four shopping centers. The Total Formation Transaction Value, or "TFTV," for this entire portfolio of properties will be $400, absent the impact of certain potential adjustments described in the subsequent examples. Each Target Asset (i) is subject to a $25 mortgage, (ii) was determined by a third-party valuator to have a relative equity value equal to 25% of the entire portfolio and (iii) has two owners, each of whom has a 50% interest in the property.

Target Asset	Equity Percentage ("EP") (determined by 3rd party valuator)	Property Holding Companies & Ownership %
Shopping Center 1	25%	Company A (50%) Company B (50%)
Shopping Center 2	25%	Company C (50%) Company D (50%)
Shopping Center 3	25%	Company E (50%) Company F (50%)
Shopping Center 4	25%	Company G (50%) Company H (50%)
Total	100%	

Applying the Equity Value formula and assuming that there is no Entity Specific Debt and no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [400 - 0] + 0
Shopping Center 2	100 = 25% x [400 - 0] + 0
Shopping Center 3	100 = 25% x [400 - 0] + 0

Shopping Center 4	100 = 25% x [400 - 0] + 0
Total Equity Value	400

Example 2 – Mortgage Payoff

In this example, all of the facts described in the Base Case above are the same, except that prior to the completion of the Formation Transactions, the $25 mortgage on Shopping Center 1 is paid off such that at the time that Shopping Center 1 is acquired by the Operating Partnership it is not subject to any mortgage debt. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 1:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	25 = 25 – 0
Shopping Center 2	0 = 25 – 25
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	25

In addition, by virtue of the reduction in the outstanding mortgage debt that will be assumed by the Operating Partnership in connection with the Formation Transactions, the Total Formation Transaction Value will have increased by the $25 value of the mortgage repayment from $400 to $425.

Applying the Equity Value formula reflecting these new facts and assuming that there is no Entity Specific Debt, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	125 = 25% x [425 - 25] + 25
Shopping Center 2	100 = 25% x [425 - 25] + 0
Shopping Center 3	100 = 25% x [425 - 25] + 0
Shopping Center 4	100 = 25% x [425 - 25] + 0
Total Equity Value	425

Example 3 – Entity Specific Debt

In this example, all of the facts described in the Base Case above are the same, except that Company C is subject to $25 of Entity Specific Debt related to Shopping Center 2, which will be assumed by the Operating Partnership upon the completion of the Formation Transactions. This results in the following variation of the variable "AA" in the formula as applied to Shopping Center 2:

Property	Asset Adjustment ("AA") (i.e., Base Balance - Actual Balance)
Shopping Center 1	0 = 25 – 25
Shopping Center 2	-25 = 25 – 50
Shopping Center 3	0 = 25 – 25
Shopping Center 4	0 = 25 – 25
Total Portfolio Adjustment ("TPA")	-25

In addition, by virtue of the assumption by the Operating Partnership of this Entity Specific Debt in connection with the Formation Transactions, the Total Formation Transaction Value will have decreased by the $25 value of the Entity Specific Debt from $400 to $375.

Applying the Equity Value formula reflecting these new facts and assuming that there is no increase or decrease in mortgage debt outstanding, the Equity Value of each of the four properties is as set forth below:

Property	Equity Value = EP x [TFTV – TPA] + AA
Shopping Center 1	100 = 25% x [375 - (-25)] + 0
Shopping Center 2	75 = 25% x [375 - (-25)] + (-25)
Shopping Center 3	100 = 25% x [375 - (-25)] + 0
Shopping Center 4	100 = 25% x [375 - (-25)] + 0
Total Equity Value	375

Here, through the operation of the Equity Value formula, all $25 of Company C's Entity Specific Debt has been allocated to Shopping Center 2 and has not impacted the Equity Value of the other Target Assets. However, without further adjustment, Company C and Company D, each as a 50% owner of Shopping Center 2, are equally burdened by Company C's Entity Specific Debt as show below:

	Company C	Company D
Allocated Share (unadjusted) of Equity Value before Inclusion of Entity Specific Debt:	50 = 100 x 50%	50 = 100 x 50%
Allocated Share (unadjusted) of Equity Value after Inclusion of Entity Specific Debt:	37.5 = 75 x 50%	37.5 = 75 x 50%
Decrease in Allocated Share (unadjusted) of Equity Value due to Inclusion of Entity Specific Debt:	12.5 = 50 - 37.5	12.5 = 50 - 37.5

Accordingly, by virtue of the operation of the Equity Value formula, Company C has only been allocated half ($12.5 of $25.0) of the Company C Entity Specific Debt obligation that should be allocated to Company C, and Company D has been allocated the remaining $12.5.

In order to address this inequitable allocation of Company C Entity Specific Debt , the definition of “Allocated Share” provides for an adjustment to (i) reduce the amount that would otherwise be payable to Company C by the amount by which the Entity Specific Debt exceeds the amount of such obligation that was previously allocated to Company C and (ii) increase the amount payable to Company D by the amount of the Entity Specific Debt obligation that was previously allocated to Company D, with the following outcome:

	Company A	Company B
Allocated Share (adjusted):	25 = 37.5 - 12.5	50 = 37.5 + 12.5

As a result of this adjustment to the Allocated Shares of Company C and Company D, the economic impact of all of Company C’s Entity Specific Debt will be allocated to Company C.

Example 4 – Intercompany Debt

In this example, all of the facts described in the Base Case above are the same, except that between the owners of Shopping Center 3, Company E has an Intercompany Debt obligation in the amount of $25 to Company F.

Prior to the application of the adjustments contained in the definition of Allocated Share, the Allocated Shares of the Owners of Shopping Center 3 would be as follows:

	Company E	Company F
Allocated Share (unadjusted):	50 = 100 x 50%	50 = 100 x 50%

To account for Intercompany Debt, the definition of "Allocated Share" provides an adjustment to (i) reduce the Allocated Share that would otherwise be payable to Company E by an amount equal to its indebtedness to Company F and (ii) increase the Allocated Share that would otherwise be payable to Company F by an amount equal to Company E's indebtedness to Company F, with the following outcome:

	Company E	Company F
Allocated Share (adjusted):	25 = 100 x 50% - 25	75 = 100 x 50% + 25

As a result of this adjustment to the Allocated Shares of Company E and Company F, the Intercompany Debt obligations between these entities have now been resolved.

Appendix B to Schedule II

Equity Percentage for Each Target Asset

Target Asset	Equity Percentage
Alamo Quarry Market	10.1916%
Carmel Country Plaza	4.8359%
Carmel Mountain Plaza	7.1580%
South Bay Marketplace	0.3157%
Lomas Santa Fe Plaza	6.5271%
Rancho Carmel Plaza	0.4388%
Solana Beach Towne Centre	5.6143%
The Shops at Kalakaua	0.2883%
Del Monte Center	5.7928%
Waikele Center	9.0461%
Waikiki Beach Walk	
Waikiki Beach Walk Retail	0.6668%
Embassy Suites at Waikiki Beach Walk	6.3419%
ICW Valencia/Valencia Corporate Center	1.7184%
Torrey Reserve	
ICW Plaza	2.0728%
Torrey Reserve North Court I & II	4.1456%
Torrey Reserve South Court I & II	4.7826%
Torrey Daycare	0.2370%
Torrey VC I-III	1.2492%
Existing Common Area – Future Development Parcel	0.3981%
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	2.2375%
Solana Beach Corporate Centre – III & IV	0.3116%
Solana Beach Towne Centres Investments (Vacant Land)	0.0686%
160 King Street	2.4814%
The Landmark at One Market	5.5594%
Fireman’s Fund Headquarters	9.6718%
Imperial Beach Gardens	0.6589%
Loma Palisades	2.5884%
Mariner’s Point	0.2745%
Santa Fe Park RV Resort	0.3873%
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	0.1235%
Sorrento Pointe	0.2471%
Management Company (American Assets Trust Management, LLC)	3.5690%
Total	100.0000%

Appendix C to Schedule II

Base Balance of Existing Loans
(other than Entity Specific Debt)

Target Asset	Base Balance of Existing Loan
Alamo Quarry Market	$ 98,954,256
Carmel Country Plaza	$ 10,271,191
Carmel Mountain Plaza	$ 63,554,812
South Bay Marketplace	$ 23,000,000
Lomas Santa Fe Plaza	$ 19,850,458
Rancho Carmel Plaza	$ 8,103,021
Solana Beach Towne Centre	$ 40,000,000
The Shops at Kalakaua	$ 19,000,000
Del Monte Center	$ 82,300,000
Waikele Center	$ 140,700,000
Waikiki Beach Walk	
Waikiki Beach Walk Retail	$ 145,742,438
Embassy Suites at Waikiki Beach Walk	$ 53,000,000
ICW Valencia/Valencia Corporate Center	$ 23,581,507
Torrey Reserve	
ICW Plaza	$ 43,000,000
Torrey Reserve North Court I & II	$ 22,299,822
Torrey Reserve South Court I & II	$ 13,059,008
Torrey Daycare	$ 1,673,363
Torrey VC I-III	$ 7,500,000
Existing Common Area – Future Development Parcel	$ 0
Solana Beach Corporate Centre	
Solana Beach Corporate Centre – I & II	$ 12,000,000
Solana Beach Corporate Centre – III & IV	$ 37,330,000
Solana Beach Towne Centres Investments (Vacant Land)	$ 0
160 King Street	$ 42,223,428
The Landmark at One Market	$ 133,000,000
Fireman’s Fund Headquarters	$ 176,542,099
Imperial Beach Gardens	$ 20,000,000
Loma Palisades	$ 73,744,000
Mariner’s Point	$ 7,700,000
Santa Fe Park RV Resort	$ 1,878,876
Land for Development	
Pac Sorrento Valley Holdings 1 (Vacant Land)	$ 0
Sorrento Pointe	$ 0
Management Company (American Assets Trust Management, LLC)	$ 0
Total	$ 1,320,008,279

Appendix D to Schedule II

Entity Specific Debt

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to DHM Trust	Del Monte Center	$ 117,273.17
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,231,368.26
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pauline M. Foster, Trustee of Non-Exempt Trust C under the Stanley and Pauline Foster Trust, dated July 31, 1981	Del Monte Center	$ 527,729.26
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 377,577.46
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to American Assets, Inc.	Del Monte Center	$ 357,464.50
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Nora Kaufman	Del Monte Center	$ 34,325.00
Promissory Note issued February 1, 2008 by Kearny Mesa Business Center, L.P. to Parma Family Trust	Del Monte Center	$ 36,886.08
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 1,288,289.73
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Arsobro, LP	Del Monte Center	$ 158,971.11
Promissory Note issued February 1, 2008 by Del Monte Center Holdings, LP to Foster Del Monte, LLC	Del Monte Center	$ 238,540.95
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Gerald I. Solomon	Del Monte Center	$ 9,534.62
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Solomon Family Partnership	Del Monte Center	$ 23,828.31
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to DHM Trust 2	Del Monte Center	$ 11,913.97
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Ernest Rady Trust U/D/T March 10, 1983, as amended	Del Monte Center	$ 309,768.37

Entity Specific Debt	Target Asset	Balance Outstanding as of June 30, 2010
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to Arsobro, LP	Del Monte Center	$ 116,391.99
Promissory Note issued February 6, 2008 by Pacific San Jose Holdings, L.P. to American Assets, Inc.	Del Monte Center	$ 74,233.18
Total	**Del Monte Center**	**$ 4,926,009.93**
Second Amended and Restated Promissory Note A Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Sorrento Mesa Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 6,498,716.00
Second Amended and Restated Promissory Note B Effective February 15, 2010 (Unsecured) issued March 18, 2010 by Pacific Stonecrest Holdings, L.P. to Wells Fargo Bank, National Association	Waikele Center	$ 3,983,084.00
Total	**Waikele Center**	**$ 10,481,800.00**
Unsecured loan from ESW LLC to the Embassy Suites at Waikiki Beach Walk*	Embassy Suites at Waikiki Beach Walk	$ 14,874,102.00
Total	**Embassy Suites at Waikiki Beach Walk**	**$ 14,874,102.00**
Loan Agreement, dated as of June 29, 2010, between Bank of America, N.A. and Landmark One Market	The Landmark at One Market	$ 23,000,000.00
Total	**The Landmark at One Market**	**$ 23,000,000.00**
Unsecured loan from ICW Valencia, L.P. to certain holders of interests in ICW Plaza, L.P.	Valencia Corporate Center	$ 418,770.00
Total	**Valencia Corporate Center**	**$ 418,770.00**

* Loan not issued pursuant to a formal promissory note.

Schedule III

Intercompany Indebtedness

Intercompany Debt	Balance Outstanding as of June 30, 2010
Unsecured loan from American Assets, Inc. to Pacific Oceanside Holdings, L.P.*	$ 3,099,218
Unsecured loan from American Assets, Inc. to Kearny Mesa Business Center, L.P.*	$ 854,229
Promissory Note issued December 31, 2004 by American Assets, Inc. to Del Monte Center Holdings, LP	$ 1,785,680
Unsecured loan from American Assets, Inc. to Del Monte San Jose Holdings, LLC*	$ 1,854,631
Unsecured loan from American Assets, Inc. to Beach Walk Holdings, L.P.*	$ 2,861,766
Promissory Note issued December 31, 2004 by American Assets, Inc. to Solana Beach Towne Centre Investments, L.P.	$ 2,102,154
Promissory Note issued January 31, 2007 by American Assets, Inc. to ICW Plaza, L.P.	$ 7,748,809
Promissory Note issued December 31, 2004 by American Assets, Inc. to Pacific Stonecrest Holdings, L.P.	$ 901,116
Promissory Note issued December 31, 2004 by American Assets, Inc. to Rancho Carmel Plaza, L.P.	$ 305,370
Unsecured loan from American Assets, Inc. to Pacific Stonecrest Assets, Inc.*	$ 75,093
Promissory Note issued December 31, 2009 by American Assets, Inc. to Imperial Strand, L.P.	$ 1,364,104
Promissory Note issued December 31, 2004 by American Assets, Inc. to Loma Palisades, G.P.	$ 1,021,324
Total	**$ 23,973,494**
Promissory Note issued December 31, 2009 by Ernest Rady Trust U/D/T March 10, 1983, as amended, to American Assets, Inc	$ 14,144,458
Promissory Note issued December 19, 2007 by Pacific American Assets Holdings, L.P., to American Assets, Inc	$ 28,934,000
Promissory Note issued December 31, 2004 by Winrad Kearny Mesa Business Center, G.P. to American Assets, Inc	$ 757,906
Total	**$ 43,836,364**

Intercompany Debt	Balance Outstanding as of June 30, 2010
Promissory Note issued February 1, 2008 by Pacific Oceanside Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 1,055,458.51
Promissory Note issued February 1, 2008 by Pacific San Jose Holdings, L.P. to Pacific American Assets Holdings, L.P.	$ 514,693.48
Total	**$ 1,570,152**

* Loan not issued pursuant to a formal promissory note.

Schedule 3.01(b)

List of Operating Partnership Subsidiaries

Owner	Ownership Interest
American Assets Trust Services, Inc.	
American Assets Trust, L.P.	100%
Vista Hacienda LLC	
American Assets Trust, L.P.	100%
Pacific Stonecrest Holdings LLC	
American Assets Trust, L.P.	100%
Rancho Carmel Plaza LLC	
American Assets Trust, L.P.	100%
Pacific Waikiki Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Pacific Oceanside Holdings LLC	
American Assets Trust, L.P.	100%
Kearny Mesa Business Center LLC	
American Assets Trust, L.P.	100%
Del Monte Center Holdings LLC	
American Assets Trust, L.P.	100%
Beach Walk Holdings LLC	
American Assets Trust, L.P.	100%
ABW Lewers Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Plaza Merger Sub LLC	
American Assets Trust, L.P.	100%
ICW Valencia LLC	
American Assets Trust, L.P.	100%
King Street Holdings Merger Sub LLC	
American Assets Trust, L.P.	100%
Waikiki Beach Walk Hotel Lessee (indirect Subsidiary)	
American Assets Trust Services, Inc.	100%
Imperial Strand LLC	
American Assets Trust, L.P.	100%
Loma Palisades Merger Sub LLC	
American Assets Trust, L.P.	100%
Loma Palisades GP LLC	
American Assets Trust, L.P.	100%

Schedule 4.06

Taxes

None.

Schedule 4.08

Litigation

None.

Schedule 5.05

Excluded Assets

Excluded Assets consist of any excess of Net Working Capital over Target Net Working Capital. "Net Working Capital" means current assets minus current liabilities of the relevant entity as of a date within forty five (45) days prior to the date of the preliminary prospectus used in the IPO roadshow. Any Excluded Assets consisting of any excess of Net Working Capital of Target Working Capital shall be distributed or paid to Pre-Formation Participants promptly after consummation of the IPO after determination by the REIT. The REITs determination of such amount shall be final and binding on all Pre-Formation Participants.

"Target Net Working Capital" means zero with respect to all entities, other than ABW Lewers, LLC; EBW Hotel, LLC; Broadway 225 Sorrento Holdings, LLC; Broadway 225 Stonecrest Holdings, LLC; and Waikele Venture Holdings, LLC, for which Target Net Working Capital will be $5,000,000, $2,050,000, $766,500, $470,000 and $1,713,500, respectively; *provided, however* that if the REIT adjusts Target Net Working Capital pursuant to the proviso in the first paragraph of Schedule II, Target Net Working Capital shall be such adjusted amount.

EXHIBITS

Exhibit A:	**List of American Assets Entities**
Exhibit B:	**Form of Lock-Up Agreement**
Exhibit C:	**Form of Tax Protection Agreement**
Exhibit D:	**Form of Registration Rights Agreement**
Exhibit E:	**Order of Mergers**
Exhibit F:	**Operating Partnership Agreement**
Exhibit G:	**Formation Transaction Documentation**

Exhibit A

List of American Assets Entities

List of Forward OP Merger Entities:

1. Solana Beach Towne Centres Investments, L.P.
2. Pacific San Jose Holdings, L.P.
3. Pacific Sorrento Mesa Holdings, L.P.
4. Hillside 104, a California limited partnership
5. Hillside 276, a California limited partnership
6. Desert Hillside Holdings, LLC
7. BWH Holdings, LLC
8. Waikele Center Holdings, LP

List of Forward REIT Merger Entities:

1. Pacific Stonecrest Assets, Inc.
2. Pacific National City Assets, Inc.
3. Western Assets, Inc.
4. Pacific Towne Centre Assets, Inc.
5. Pacific Oceanside Assets, Inc.
6. Pacific San Jose Assets, Inc.
7. KMBC Assets, Inc.
8. Hero Retail, Inc.
9. Pacific Sorrento Valley Assets I, Inc.
10. Pacific Sorrento Mesa Assets, Inc.
11. Beach Walk Assets, Inc.
12. ICW Plaza, Inc. [d/b/a Delaware ICW Plaza, Inc.]
13. ICW Valencia, Inc.
14. Pacific Torrey Reserve Assets, Inc.
15. Landmark Assets, Inc.
16. Landmark One Market, Inc.
17. Pacific Novato Assets, Inc.
18. Waikele Center Assets, Inc.

List of OP Sub Forward Merger Entities:

1. Pacific Stonecrest Holdings, L.P.
2. Rancho Carmel Plaza, a California limited partnership
3. Pacific Oceanside Holdings, L.P.
4. Kearny Mesa Business Center, a California limited partnership

5. Del Monte Center Holdings, LP
6. Beach Walk Holdings, LP
7. ICW Plaza, L.P., a California limited partnership
8. ICW Valencia, L.P.
9. Desert Oceanside Holdings, LLC
10. San Diego Loma Palisades, L.P.

List of OP Sub Reverse Merger Entities:

1. Pacific Waikiki Holdings, L.P.
2. ABW Lewers LLC
3. King Street Holdings, LP
4. Loma Palisades, a California general partnership

List of REIT Sub Forward Merger Entities:

1. Pacific Del Mar Assets, Inc.
2. Pacific Carmel Mountain Assets, Inc.
3. Pacific Solana Beach Assets, Inc.
4. Pacific Waikiki Assets, Inc.
5. King Street Assets, Inc.
6. Pacific Sorrento Valley Assets II, Inc.
7. Pacific Santa Fe Assets, Inc.

List of Contributed Entities:

1. American Assets Trust Management, LLC
2. Winrad Vista Hacienda, a California general partnership
3. Vista Hacienda, a California limited partnership
4. Pacific American Assets Holdings, L.P., a California limited partnership
5. Carmel Country Plaza, L.P.
6. Pacific Carmel Mountain Holdings, L.P.
7. Pacific National City Holdings, L.P.
8. Pacific Solana Beach Holdings, L.P.
9. Pacific San Jose Holdings, L.P.
10. Winrad Kearny Mesa Business Center, a California general partnership
11. Pacific Sorrento Valley Holdings I, L.P.
12. Pacific Sorrento Mesa Holdings, L.P.
13. Beach Walk Holdings, LP
14. ICW Plaza, L.P., a California limited partnership
15. ICW Valencia, L.P.
16. Pacific Sorrento Valley Holdings II, L.P.
17. EBW Hotel LLC
18. Imperial Strand, a California limited partnership
19. Winrad Imperial Strand, a California general partnership
20. San Diego Loma Palisades, L.P.
21. Mariner’s Point, LLC
22. Pacific Santa Fe Holdings, L.P.

Exhibit B

Form of Lock-Up Agreement

Lock-Up Agreement

_____ __, 2010

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
375 Park Avenue
New York, New York 10152

as Representatives of the several
Underwriters to be named in the
within-mentioned Underwriting Agreement

Re: Proposed Public Offering by American Assets Trust, Inc.

Dear Sirs:

The undersigned, a stockholder of American Assets Trust, Inc., a Maryland corporation (the "Company") and/or a holder of common units of partnership interest (the "Units") in American Assets Trust, LP, a Maryland limited partnership and operating subsidiary of the Company (the "Operating Partnership"), understands that Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Wells Fargo Securities, LLC ("Wells Fargo") and each of the other Underwriters named in Schedule A to the Underwriting Agreement (as defined below) (collectively, the "Underwriters"), for whom Merrill Lynch and Wells Fargo are acting as representatives (in such capacity, the "Representatives") propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with the Company and the Operating Partnership, providing for the public offering (the "Public Offering") of shares (the "Securities") of the Company's common stock, par value $0.01 per share (the "Common Stock"). In recognition of the benefit that the Public Offering will confer upon the undersigned as a stockholder of the Company and/or as a holder of Units in the Operating Partnership, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each Underwriter to be named in the Underwriting Agreement that, during a period of 180 days from the date of the Underwriting Agreement (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representatives, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities"), or exercise any right with respect to the registration of any of the Lock-up Securities, or file or cause to be filed any registration statement in connection therewith, under the Securities Act of 1933, as amended, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representatives:

(i) if the undersigned is a director or executive officer of the Company, pursuant to the establishment by the undersigned of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the Lock-Up Period; or

(ii) as a *bona fide* gift or gifts or other dispositions by will or intestacy; or

(iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

(iv) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the undersigned or the immediate family member of the undersigned; or

(v) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction; or

(vi) as a distribution to limited partners, limited liability company members or stockholders of the undersigned; or

(vii) to the undersigned's affiliates or to any investment fund or other entity controlled or managed by the undersigned; or

(viii) to the Company upon termination of the undersigned's employment with the Company; or

(ix) to pay the exercise price of options to purchase Common Stock pursuant to the cashless exercise feature of such options; or

(x) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (ix) above,

provided that, in each case, (1) the Representatives receive a signed lock-up agreement for the balance of the lockup period from each donee, trustee, distributee, or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers or other actions are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Securities Exchange Act of 1934, as amended, and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers.

Furthermore, the undersigned may sell shares of Common Stock of the Company purchased by the undersigned on the open market after completion of the Public Offering if and only if (i) such sales are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (ii) the undersigned does not otherwise voluntarily effect any public filing or report regarding such sales.

Notwithstanding the foregoing, if:

(1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day Lock-Up Period,

the Representatives may extend, by written notice to the Company, the restrictions imposed by this lock-up agreement until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the period from the date of this lock-up agreement to and including the 34th day following the expiration of the initial 180-day Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the 180-day Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

[Signature Page Follows]

Very truly yours,

Signature: _____

Print Name: _____

(Signature Page to Investor Lock-Up Agreement)

Exhibit C

Form of Tax Protection Agreement

TAX PROTECTION AGREEMENT

This TAX PROTECTION AGREEMENT (this "Agreement") is entered into as of [_____, 2010], by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), each Protected Partner identified as a signatory on Schedule I, as amended from time to time, each Guaranty Partner identified as a signatory on Schedule II, as amended from time to time, and each Non-Qualified Liability Partner identified as a signatory on Schedule III, as amended from time to time.

RECITALS

WHEREAS, the REIT desires to consolidate the ownership of a portfolio of properties currently owned, directly or indirectly, by certain entities, as set forth in the Formation Transaction Documentation.

WHEREAS, the Formation Transactions relate to the proposed initial public offering of the common stock of the REIT, par value $.01 per share, following which the REIT will operate as a self-administered and self-managed real estate investment trust within the meaning of Section 856 of the Code (as defined below); and

WHEREAS, as a condition to engaging in the Formation Transactions, and as an inducement to do so, the parties hereto are entering into this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINED TERMS

For purposes of this Agreement the following terms shall apply:

Section 1.1 "50% Termination" has the meaning set forth in Section 1.40.

Section 1.2 "Affiliate" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Section 1.3 "Agreement" has the meaning set forth in the preamble.

Section 1.4 "Approved Liability" means either:

(a) A liability of the Operating Partnership (or of an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes) with respect to which all of the following requirements are satisfied:

(i) the liability is secured by real property or other assets (the "Collateral") owned directly or indirectly by the Operating Partnership (or by an entity whose separate existence from the Operating Partnership is disregarded for Federal income tax purposes);

(ii) on the date on which the Operating Partnership designated such liability as a Approved Liability, the fair market value (as reasonably determined in good faith by the Operating Partnership) of the Collateral was at least 140% times the outstanding principal amount (and any accrued and unpaid interest) of the liability and any other Approved Liabilities secured by such Collateral at such time, *provided* that if interest on such liability is not required to be paid at least annually or if the documents evidencing such liability permit the borrower to borrow additional amounts that are secured by the Collateral, the outstanding principal amount of such liability shall include the maximum amount that could be so added to the principal amount of such liability without a default, *provided*, *however*, if notwithstanding the Operating Partnership's commercially reasonable efforts, it is unable to make available the Guarantee Opportunities required by this Agreement, 130% shall be substituted for 140% as set forth above;

(iii) the liability constitutes "qualified nonrecourse financing" as defined in Section 465(b)(6) of the Code with respect to the Protected Partners;

(iv) other than guaranties by the Guaranty Partners, no other person has executed any guaranties with respect to such liability; and

(v) the Collateral does not provide security for another liability (other than another Approved Liability) that ranks senior to, or *pari passu* with, the liability described in clause (i) above.

For purposes of determining whether clause (ii) has been satisfied in situations where one or more potential Approved Liabilities are secured by more than one item of Collateral, the Operating Partnership shall allocate such liabilities among such items of Collateral in proportion to their relative fair market values (as reasonably determined in good faith by the Operating Partnership);

(b) A liability of the Operating Partnership that

(i) is not secured by any of the assets of the Operating Partnership and is a general, recourse obligation of the Operating Partnership, and

(ii) is not provided by a lender that has an interest in the Operating Partnership or is related to the Operating Partnership within the meaning of Section 465(b)(3)(C) or the Code;

(c) Solely with respect to the Non-Qualified Liability Amount for each Non-Qualified Liability Partner, the applicable Non-Qualified Liabilities; or

(d) Any other indebtedness approved by the Partners' Representative (or his successor or designee) in his sole and absolute discretion.

Section 1.5 "Closing Date" has the meaning assigned to it in the applicable Pre-Formation Transaction Documentation.

Section 1.6 "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.7 "Collateral" has the meaning set forth in the definition of "Approved Liability."

Section 1.8 "Debt Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.9 "Debt Notification Event" means, with respect to an Approved Liability, any transaction in which such liability shall be refinanced, otherwise repaid (excluding for this purpose, scheduled payments of principal occurring prior to the maturity date of such liability), or guarantied by any of the REIT, the Operating Partnership, or one or more of their Affiliates, or guarantied by one or more partners of the Operating Partnership.

Section 1.10 "Exchange" has the meaning set forth in Section 2.1(b).

Section 1.11 "Formation Transaction Documentation" means all of the agreements and plans of merger and contribution agreements, substantially in the forms accompanying the Request for Consent and Private Placement Memorandum dated July [__], 2010, pursuant to which all or a portion of the equity interests in certain specified entities are to be acquired by the REIT or the Operating Partnership, directly or indirectly, as part of the Formation Transactions.

Section 1.12 "Formation Transactions" means the transactions contemplated by this Agreement and the other Formation Transaction Documentation.

Section 1.13 "Fundamental Transaction" means a merger, consolidation or other combination of the Operating Partnership with or into any other entity, a transfer of all or substantially all of the assets of the Operating Partnership, any reclassification, recapitalization or change of the outstanding equity interests of the Operating Partnership, or a conversion of the Operating Partnership into another form of entity.

Section 1.14 "Gross Up Amount" has the meaning set forth in definition of "Make Whole Amount."

Section 1.15 "Guarantied Liability" means any Approved Liability or Non-Qualified Liability that is guarantied, in whole or in part, by one or more Guaranty Partners or Non-Qualified Liability Partner, as applicable, in accordance with this Agreement.

Section 1.16 "Guaranty Partner" means: (i) each signatory on Schedule II attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Guaranty Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units; and (iii) with respect to a Guaranty Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.4 with respect to such Guaranty Partner, any person who (y) holds an interest in such Guaranty Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Guaranty Partner in its own gross income.

Section 1.17 "Guaranty Permissible Liability" means a liability with respect to which the lender permits a guaranty.

Section 1.18 "Guaranty Opportunity" has the meaning set forth in Section 2.4(b).

Section 1.19 "Make Whole Amount" means: (a) with respect to any Protected Partner that recognizes gain under Section 704(c) of the Code as a result of a Tax Protection Period Transfer, *the sum of* (i) *the product of* (x) the income and gain recognized by such Protected Partner under Section 704(c) of the Code in respect of such Tax Protection Period Transfer (taking into account any adjustments under Section 743 of the Code to which such Protected Partner is entitled) *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Protected Partner as a result of the receipt by a Protected Partner of a payment under Section 2.2 (the "Gross Up Amount"); *provided*, *however*, that the Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Protected Partner might have that would reduce its actual tax liability; and (b) with respect to any Guaranty Partner or Non-Qualified Liability Partner that recognizes gain as a result of a breach by the Operating Partnership of the provisions of Section 2.4 or Section 2.5 hereof, *the sum of* (i) *the product of* (x) the income and gain recognized by such Guaranty Partner or Non-Qualified Liability Partner by reason of such breach, *multiplied by* (y) the Make Whole Tax Rate, *plus* (ii) an amount equal to the combined Federal, applicable state and local income taxes (calculated using the Make Whole Tax Rate) imposed on a Guaranty Partner or Non-Qualified Liability Partner as a result of the receipt by a Guaranty Partner or Non-Qualified Liability Partner of a payment under Section 2.4 or Section 2.5 (the "Debt Gross Up Amount"); *provided*, *however*, that the Debt Gross Up Amount shall be computed without regard to any losses, credit, or other tax attributes that a Guaranty Partner or Non-Qualified Liability Partner might have that would reduce its actual tax liability. For purposes of calculating the amount of Section 704(c) gain that is allocated to a Protected Partner, (i) subject to clause (ii) below, any "reverse Section 704(c) gain" allocated to such partner pursuant to Treasury Regulations § 1.704-3(a)(6) shall not be taken into account, and (ii) if, as a result of adjustments to the Gross Asset Value (as defined in the OP Agreement) of the Protected Properties pursuant to clause (b) of the definition of Gross Asset Value as set forth in the OP Agreement, all or a portion of the gain recognized by the Operating Partnership that would have been Section 704(c) gain without regard to such adjustments becomes or is treated as "reverse Section 704(c) gain" or Section 704(b) gain under Section 704 of the Code, then such gain shall continue to be treated as Section 704(c) gain;

provided that the total amount of 704(c) gain and income taken into account for purpose of calculating the Make Whole Amount shall not exceed the initial Section 704(c) gain amount as of the Closing Date (whether or not equal to the estimated amount set forth on Exhibit B).

Section 1.20 "Make Whole Tax Rate" means, with respect to a Protected Partner who is entitled to receive a payment under Section 2.2 and with respect to a Guaranty Partner or Non-Qualified Liability Partner who is entitled to receive payment under Section 2.4 or Section 2.5, the highest combined statutory Federal, state and local tax rate in respect of the income or gain that gave rise to such payment, taking into account the character of the income and gain in the hands of such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable (reduced, in the case of Federal taxes, by the deduction allowed for income taxes paid to a state or locality), for the taxable year in which the event that gave rise to such payment under Section 2.2, Section 2.4 or Section 2.5 occurred. Notwithstanding the foregoing, if a Protected Partner, Guaranty Partner or Non-Qualified Liability Partner demonstrates to the reasonable satisfaction of the Operating Partnership that such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner, as applicable, is not entitled to a Federal income tax deduction for all or a portion of the income taxes paid to a state or locality, the Make Whole Tax Rate applicable to such Protected Partner, Guaranty Partner or Non-Qualified Liability Partner shall be reduced only by the deduction, if any, the Protected Partner, Guaranty Partner or Non-Qualified Liability Partner is entitled to take for such taxes.

Section 1.21 "Non-Qualified Liability" means each of the liabilities set forth on Exhibit D.

Section 1.22 "Non-Qualified Liability Amount" means the amount shown in the column labeled "Non-Qualified Liability Amount" for each Non-Qualified Liability listed below each Non-Qualified Liability Partner's name in Exhibit E.

Section 1.23 "Non-Qualified Liability Period" means the period commencing on the Closing Date and ending on the second anniversary of the Closing Date.

Section 1.24 "Non-Qualified Liability Partner" means: (i) each signatory on Schedule III attached hereto, as amended from time to time; and (ii) any person who holds OP Units and who acquired such OP Units from another Non-Qualified Liability Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Guaranty Partner in such OP Units.

Section 1.25 "OP Agreement" means the Agreement of Limited Partnership of American Assets Trust, L.P., as amended from time to time.

Section 1.26 "OP Units" means common units of partnership interest in the Operating Partnership.

Section 1.27 "Operating Partnership" has the meaning set forth in the preamble.

Section 1.28 "Partners' Representative" means Ernest Rady and his executors, administrators or permitted assigns.

Section 1.29 "Pass Through Entity"means a partnership, grantor trust, or S corporation for Federal income tax purposes.

Section 1.30 "Permitted Disposition" means a sale, exchange or other disposition of OP Units (i) by a Protected Partner or Guaranty Partner: (a) to such Protected Partner's or Guaranty Partner's children, spouse or issue; (b) to a trust for such Protected Partner or Guaranty Partner or such Protected Partner's or Guaranty Partner's children, spouse or issue; (c) in the case of a trust which is a Protected Partner or Guaranty Partner, to its beneficiaries, or any of them, whether current or remainder beneficiaries; (d) to a revocable *inter vivos* trust of which such Protected Partner or Guaranty Partner is a trustee; (e) in the case of any partnership or limited liability company which is a Protected Partner or Guaranty Partner, to its partners or members; and/or (f) in the case of any corporation which is a Protected Partner or Guaranty Partner, to its shareholders, and (ii) by a party described in clauses (a), (b), (c) or (d) to a partnership, limited liability company or corporation of which the only partners, members or shareholders, as applicable, are parties described in clauses (a), (b), (c) or (d); *provided*, that for purposes of the definition of Tax Protection Period, such Protected Partner or Guaranty Partner shall be treated as continuing to own any OP Units which were subject to a Permitted Disposition unless and until there has been a sale, exchange or other disposition of such OP Units by a permitted transferee which is not another Permitted Disposition.

Section 1.31 "Person" means an individual or a corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

Section 1.32 "Protected Partner" means: (i) each signatory on Schedule I attached hereto, as amended from time to time; (ii) any person who holds OP Units and who acquired such OP Units from another Protected Partner in a transaction in which such person's adjusted basis in such OP Units, as determined for Federal income tax purposes, is determined, in whole or in part, by reference to the adjusted basis of the other Protected Partner in such OP Units; and (iii) with respect to a Protected Partner that is Pass Through Entity, and solely for purposes of computing the amount to be paid under Section 2.2 with respect to such Protected Partner, any person who (y) holds an interest in such Protected Partner, either directly or through one or more Pass Through Entities, and (z) is required to include all or a portion of the income of such Protected Partner in its own gross income.

Section 1.33 "Protected Property" means each property identified on Exhibit A hereto and each property acquired in Exchange for a Protected Property as set forth in Section 2.1(b).

Section 1.34 "Representation, Warranty and Indemnity Agreement" means that certain Representation, Warranty and Indemnity Agreement, made and entered into as of [ ], 2010, by and amount the REIT, the Operating Partnership and Ernest Rady Trust U/D/T March 10, 1983, as amended.

Section 1.35 "Required Liability Amount" means, with respect to each Guaranty Partner, 110% of such Guaranty Partner's estimated "negative tax capital account" as of the Closing Date, a current estimate of which is set forth on Exhibit C hereto for each such Guaranty Partner.

Section 1.36 "REIT" has the meaning set forth in the preamble.

Section 1.38 "Section 2.4 Notice" has the meaning set forth in Section 2.4(c).

Section 1.39 "Section 2.5 Notice" has the meaning set forth in Section 2.5(c).

Section 1.40 "Tax Protection Period" means the period commencing on the Closing Date and ending on the seventh (7th) anniversary of the Closing Date; *provided*, *however*, that such period shall end with respect to any Protected Partner or Guaranty Partner to the extent that such Partner owns less than fifty percent (50%) of the OP Units originally received by the Protected Partner or Guaranty Partner in the Formation Transactions, disregarding the sale, exchange or other disposition of any such OP Units sold, exchanged or otherwise disposed of by the Protected Partner or Guaranty Partner in a Permitted Disposition (such an event, a "50% Termination"); *provided further, however*, that notwithstanding the forgoing, the Tax Protection Period will terminate for all Protected Partners and Guaranty Partners upon the later of the death of Ernest Rady and the death of his wife.

Section 1.41 "Tax Protection Period Transfer" has the meaning set forth in Section 2.1(a).

Section 1.42 "Transfer" means any direct or indirect sale, exchange, transfer or other disposition, whether voluntary or involuntary.

Section 1.43 "Treasury Regulations" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II

TAX PROTECTIONS

Section 2.1 Taxable Transfers.

(a) Unless the Partners' Representative expressly consents in writing to a Tax Protection Period Transfer (for the avoidance of doubt, no vote in favor of a Tax Protection Period Transfer by the Partners' Representative or any of its Affiliates or by a Protected Partner, in each case in its capacity as owner shares of the REIT or OP Units, shall constitute consent), during the Tax Protection Period, the Operating Partnership shall indemnify the Protected Partners as set forth in Section 2.2 if the Operating Partnership or any entity in which the Operating Partnership holds a direct or indirect interest shall cause or permit (i) any Transfer of all or any portion of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property) in a transaction that would result in the recognition of taxable income or gain by any Protected Partner under Section 704(c) of the Code, or (ii) any Fundamental Transaction that would result in the recognition of taxable income or gain to any Protected Partner (a Fundamental Transaction and a Transfer, collectively a "Tax Protection Period Transfer").

(b) Section 2.1(a) shall not apply to any Tax Protection Period Transfer of a Protected Property (including any interest therein or in the entity owning, directly or indirectly, the Protected Property): (i) in a transaction in which no gain is required to be recognized by a Protected Partner (an "Exchange"), including a transaction qualifying under Section 1031 or Section 721 (or any successor statutes) of the Code; *provided*, *however*, that any property acquired by the Operating Partnership in the Exchange shall remain subject to the provisions of this Article II in place of the exchanged Protected Property for the remainder of the Tax Protection Period; (ii) as a result of the condemnation or other taking of any Protected Property by a governmental entity in an eminent domain proceeding or otherwise, provided that the Operating Partnership shall use commercially reasonable efforts to structure such disposition as either a tax-free like-kind exchange under Section 1031 or a tax-free reinvestment of proceeds under Section 1033, provided that in no event shall the Operating Partnership be obligated to acquire or invest in any property that it otherwise would not have acquired or invested in.

(c) For any taxable Transfer of all or any portion of any property of the Operating Partnership which is not a Tax Protection Period Transfer, the Operating Partnership shall use commercially reasonable efforts to cooperate with the Limited Partners to minimize any taxes payable by the Limited Partners in connection with any such Transfers.

Section 2.2 Indemnification for Taxable Transfers.

(a) In the event of a Tax Protection Period Transfer described in Section 2.1(a), each Protected Partner shall, within 30 days after the closing of such Tax Protection Period Transfer, receive from the Operating Partnership an amount of cash equal to the estimated Make Whole Amount applicable to such Tax Protection Period Transfer. If it is later determined that the true Make Whole Amount applicable to a Protected Partner exceeds the estimated Make Whole Amount applicable to such Protected Partner, then the Operating Partnership shall pay such excess to such Protected Partner within 90 days after the closing of the Tax Protection Period Transfer, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Protected Partner shall promptly refund such excess to the Operating Partnership, but only to the extent such excess was actually received by such Protected Partner.

(b) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Protected Partner under Section 2.1(a) shall be a claim against the Operating Partnership for the Make Whole Amount as set forth in this Section 2.2, and no Protected Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.1(a) or bring a claim against any person that acquires a Protected Property from the Operating Partnership in violation of Section 2.1(a).

Section 2.3 Section 704(c) Gains. A good faith estimate of the initial amount of Section 704(c) gain allocable to each Protected Partner as of the Closing Date of each OP Merger is set forth on Exhibit B hereto. The parties acknowledge that the initial amount of such Section 704(c) gain may be adjusted over time as required by Section 704(c) of the Code and the Regulations promulgated thereunder.

Section 2.4 Approved Liability Maintenance and Allocation.

(a) During the Tax Protection Period, the Operating Partnership shall: (1) maintain on a continuous basis an amount of Approved Liabilities at least equal to the Required Liability Amount; and (2) provide the Partners' Representative, promptly upon request, with a description of the nature and amount of any Approved Liabilities that are available to be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall not be required to maintain any amount of Approved Liabilities in excess of the aggregate Required Liability Amount of all Guaranty Partners.

(b) (i) During the Tax Protection Period, the Operating Partnership shall provide each Guaranty Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of one or more Approved Liabilities that are Guaranty Permissible Liabilities in an amount up to such Guaranty Partner's Required Liability Amount (each such opportunity and each opportunity required by Section 2.4(c), Section 2.5(b),and Section 2.5(c), a "Guaranty Opportunity"), and (ii) after the Tax Protection Period, and for so long as a Guaranty Partner has not had a 50% Termination, the Operating Partnership shall use commercially reasonable efforts to make Guaranty Opportunities available to each Guaranty Partner, provided that in the case of this clause (ii), the Operating Partnership shall not be required to incur any indebtedness that it would not otherwise have incurred, as determined by the Operating Partnership in its reasonable discretion; *provided*, *however*, that in the case of clauses (i) and (ii) the aggregate amount of all guaranties required to be made available by the Operating Partnership for execution by all Guaranty Partners need not exceed the aggregate Required Liability Amount of all Guaranty Partners. The Operating Partnership shall have the discretion to identify the Approved Liability or Approved Liabilities that shall be made available for guaranty by each Guaranty Partner. Each Guaranty Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Guaranty Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any debt subject to a Guaranty to the applicable Guaranty Partners. Each Guaranty Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Guaranty Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Guaranty Partner.

(c) During the Tax Protection Period, the Operating Partnership shall not allow a Debt Notification Event to occur unless the Operating Partnership provides at least thirty (30) days' written notice (a "Section 2.4 Notice") to each Guaranty Partner that may be affected thereby. The Section 2.4 Notice shall describe the Debt Notification Event and designate one or more Approved Liabilities that may be guarantied by the Guaranty Partners pursuant to Section 2.4(b) of this Agreement in an amount equal to the amount of the refinanced or repaid Approved Liability that was guarantied by such Guaranty Partner immediately prior to the date of the refinancing or repayment. Any Guaranty Partner that desires to execute a guaranty following the receipt of a Section 2.4 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.4 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.4(a), (b) and (c) of this Agreement, it shall have no liability to a Guaranty Partner

under Section 2.4(e) for breach of Section 2.4, whether or not such Guaranty Partner accepts its Guaranty Opportunity. Furthermore, the Operating Partnership makes no representation or warranty to any Guaranty Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Guaranty Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.4 or an act or omission that is indemnifiable under Section 2.4(e) of this Agreement).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.4, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Guaranty Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Guaranty Partner exceeds the estimated Make Whole Amount applicable to such Guaranty Partner, then the Operating Partnership shall pay such excess to such Guaranty Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Guaranty Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Guaranty Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, the sole and exclusive rights and remedies of any Guaranty Partner for a breach or violation of the covenants set forth in Section 2.4 shall be a claim a claim against the Operating Partnership for the Make Whole Amount as set forth in Section 2.4(e), and no Guaranty Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.4.

(g) Notwithstanding any provision of this Section 2.4 to the contrary, to the extent a Guaranty Partner is also a Non-Qualified Liability Partner that has guaranteed Non-Qualified Liabilities pursuant to Section 2.5, the amount of such guaranteed liabilities shall be treated as the Operating Partnership's satisfaction of that amount of its obligation to provide a Guaranty Opportunity under this Section 2.4, and such liabilities shall be treated as an Approved Liability for purposes of this Section 2.4, including for purposes of determining whether a Section 2.4 Notice and substitute Approved Liability are required.

Section 2.5 Non-Qualified Liability Maintenance and Allocation.

(a) During the Non-Qualified Liability Period, the Operating Partnership shall not repay any Non-Qualified Liability (excluding any scheduled payments of principal occurring pursuant to the terms of such Non-Qualified Liability) which has been guarantied by a Non-Qualified Liability Partner pursuant to Section 2.5(b) unless: (i) the Operating Partnership repays such Non-Qualified Liability with proceeds generated by its incurrence of other liabilities which each such Non-Qualified Liability Partner is offered an opportunity to guaranty; or (ii) the Partners' Representative consents in writing to such repayment.

(b) During the Non-Qualified Liability Period, the Operating Partnership shall use commercially reasonable efforts to provide each Non-Qualified Liability Partner with the opportunity to execute a guaranty, substantially in the form attached hereto as Exhibit F or otherwise in a form and manner that is reasonably acceptable to the Partners' Representative, of each Non-Qualified Liability listed below such Non-Qualified Liability Partner's name in Exhibit E in an amount up to such Non-Qualified Liability Partner's Non-Qualified Liability Amount. Each Non-Qualified Liability Partner and its indirect owners may allocate the Guaranty Opportunity afforded to such Non-Qualified Liability Partner in any manner they choose. The Operating Partnership agrees to file its tax returns allocating any Guarantied Liability to the applicable Non-Qualified Liability Partners. Each Non-Qualified Liability Partner shall bear the costs incurred by it in connection with the execution of any guaranty to which it is a party. To the extent a Non-Qualified Liability Partner executes a guaranty, the Operating Partnership shall deliver a copy of such guaranty to the lender under the Guarantied Liability promptly after receiving such copy from the relevant Non-Qualified Liability Partner.

(c) During the Non-Qualified Liability Period, if the Operating Partnership intends to repay any Non-Qualified Liability with proceeds generated by its incurrence of other liabilities as provided in Section 2.5(a)(i), the Operating Partnership shall provide at least thirty (30) days' written notice (a "Section 2.5 Notice") to each Non-Qualified Liability Partner that may be affected thereby. The Section 2.5 Notice shall describe which Non-Qualified Liability is being repaid and the nature and amount of the liability, if any, being incurred to repay such Non-Qualified Liability. The Operating Partnership shall use commercially reasonable efforts to make available to each affected Non-Qualified Liability Partner the opportunity to guaranty any such newly-incurred liability in the same manner as provided in Section 2.5(b) in an amount equal to the amount of the repaid Non-Qualified Liability that was guarantied by such Non-Qualified Liability Partner immediately prior to the date of the repayment. Any Non-Qualified Liability Partner that desires to execute a guaranty following the receipt of a Section 2.5 Notice shall provide the Operating Partnership with notice thereof within fifteen (15) days after the date of the Section 2.5 Notice.

(d) Provided the Operating Partnership satisfies its obligations under Section 2.5(a), (b) and (c) of this Agreement, it shall have no liability to any Non-Qualified Liability Partner for breach of Section 2.5, whether or not such Non-Qualified Liability Partner accepts its Guaranty Opportunity. For the avoidance of doubt, and notwithstanding any other provision of this Agreement, the Operating Partnership shall have no liability to any Non-Qualified Liability Partner if the Operating Partnership is unable, despite its commercially reasonable efforts, to provide each Non-Qualified Liability Partner with the opportunity to guaranty a Non-Qualified Liability. Furthermore, the Operating Partnership makes no representation or warranty to any Non-Qualified Liability Partner concerning the treatment or effect of any guaranty under Federal, state, local, or foreign tax law, and bears no responsibility for any tax liability of any Non-Qualified Liability Partner or Affiliate thereof that is attributable to a reallocation, by a taxing authority, of debt subject to a guaranty (other than a reallocation that results from any act or omission taken by the Operating Partnership or one of its Affiliates in violation of this Section 2.5).

(e) If the Operating Partnership shall fail to comply with any provision of this Section 2.5, the Operating Partnership shall pay, within thirty (30) days of such failure, a Make Whole Payment to each Non-Qualified Liability Partner who recognizes income or gain as a result of such failure equal to the estimated Make Whole Amount applicable to such failure. If it is determined that the true Make Whole Amount applicable to a Non-Qualified Liability Partner exceeds the estimated Make Whole Amount applicable to such Non-Qualified Liability Partner, then the Operating Partnership shall pay such excess to such Non-Qualified Liability Partner within thirty (30) days after the date of such determination, and if such estimated Make Whole Amount exceeds the true Make Whole Amount, then such Non-Qualified Liability Partner shall pay such excess to the Operating Partnership within thirty (30) days after the date of such determination, but only to the extent such excess was actually received by such Non-Qualified Liability Partner.

(f) Notwithstanding any provision of this Agreement to the contrary, no Non-Qualified Liability Partner shall be entitled to pursue a claim for specific performance of the covenants set forth in Section 2.5.

Section 2.7 Dispute Resolution. Any controversy, dispute, or claim of any nature arising out of, in connection with, or in relation to the interpretation, performance, enforcement or breach of this Agreement (and any closing document executed in connection herewith) shall be governed by Section 5.08 of the Representation, Warranty and Indemnity Agreement.

ARTICLE III

GENERAL PROVISIONS

Section 3.1 Notices. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms of this Agreement shall be given in the same manner as in the OP Agreement.

Section 3.2 Titles and Captions. All Article or Section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” and “Sections” are to Articles and Sections of this Agreement.

Section 3.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 3.4 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain form taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 3.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 3.6 Creditors. Other than as expressly set forth herein, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Operating Partnership.

Section 3.7 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any covenant, duty, agreement or condition.

Section 3.8 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.9 Applicable Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California, without regard to the principles of conflicts of law.

Section 3.10 Invalidity of Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of other remaining provisions contained herein shall not be affected thereby.

Section 3.11 Entire Agreement. This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and amends, restates and supersedes the OP Agreement and any other prior written or oral understandings or agreements among them with respect thereto.

Section 3.12 No Rights as Stockholders. Nothing contained in this Agreement shall be construed as conferring upon the holders of the OP Units any rights whatsoever as stockholders of the REIT, including, without limitation, any right to receive dividends or other distributions made to stockholders of the REIT or to vote or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the REIT or any other matter.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

REIT:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: _____
Name: _____
Title: _____

OPERATING PARTNERSHIP:

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.
a Maryland corporation,
Its General Partner

By: _____
Name: _____
Title : _____

SCHEDULE I

PROTECTED PARTNERS

See attached.

SCHEDULE II

GUARANTY PARTNERS

See attached.

SCHEDULE III

NON-QUALIFIED LIABILITY PARTNERS

See attached.

EXHIBIT A

PROTECTED PROPERTIES

Property Name
Carmel Country Plaza
Carmel Mountain Plaza
Del Monte Center
ICW Plaza
Loma Palisades
Lomas Santa Fe Plaza
Waikele Center

EXHIBIT B

ESTIMATED ALLOCATIONS OF SECTION 704(c) GAIN

See attached.

EXHIBIT C

REQUIRED LIABILITY AMOUNT

See attached.

EXHIBIT D

NON-QUALIFIED LIABILITIES

See attached.

EXHIBIT E

NON-QUALIFIED LIABILITY AMOUNT

See attached.

EXHIBIT F

FORM OF GUARANTY

See attached.

Exhibit D

Form of Registration Rights Agreement

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [_____], 2010 by and among American Assets Trust, Inc., a Maryland corporation (the "Company"), and the holders listed on Schedule I hereto (each an "Initial Holder" and, collectively, the "Initial Holders").

RECITALS

WHEREAS, in connection with the initial public offering (the "IPO") of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), the Company and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), have concurrently engaged in certain formation transactions (the "Formation Transactions"), pursuant to which the Initial Holders have concurrently received, in exchange for their (or certain related parties') respective interests in the entities participating in the Formation Transactions or in exchange for services rendered, (i) common units of limited partnership interest in the Operating Partnership ("Common OP Units") and/or (iii) shares of Common Stock;

WHEREAS, upon the terms and subject to the conditions contained in the Operating Partnership Agreement (as defined below), Common OP Units will be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock;

WHEREAS, as a condition to receiving the consent of the Initial Holders to the Formation Transactions, the Company has agreed to grant the Initial Holders and their permitted assignees and transferees the registration rights set forth in Article II hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In addition to the definitions set forth above, the following terms, as used herein, have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Registration Rights Agreement, as it may be amended, supplemented or restated from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, New York or San Diego, California are authorized by law to close.

"Charter" means the Articles of Amendment and Restatement of the Company as filed with the Secretary of State of the State of Maryland on [_____], 2010, as the same may be amended, modified or restated from time to time.

"Commission" means the Securities and Exchange Commission.

"Company Piggy-Back Registration" has the meaning set forth in Section 2.1(a).

"Effectiveness Period" has the meaning set forth in Section 2.4(b).

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

"Exchangeable Common OP Units" means Common OP Units which may be redeemable for cash or, at the Company's option, exchangeable for shares of Common Stock pursuant to the Operating Partnership Agreement (without regard to any limitations on the exercise of such exchange right as a result of the Ownership Limit Provisions).

"Holder" means (i) any Initial Holder who is the record or beneficial owner of any Registrable Security or (ii) any assignee or transferee of such Initial Holder (including assignments or transfers of Registrable Securities to such assignees or transferees as a result of the foreclosure on any loans secured by such Registrable Securities) (x) to the extent permitted under the Operating Partnership Agreement or the Charter, as applicable, and (y) provided such assignee or transferee agrees in writing to be bound by all the provisions hereof.

"Indemnified Party" has the meaning set forth in Section 2.10.

"Indemnifying Party" has the meaning set forth in Section 2.10.

"Initial Period" means a period commencing on the date hereof and ending 365 days following the effective date of the first Resale Shelf Registration Statement (except that, if the shares of Common Stock issuable upon exchange of Exchangeable Common OP Units received in the Formation Transactions are not included in that Resale Shelf Registration Statement as a result of Section 2.4(b), the 365 days shall not begin until the later of the effective date of (i) the first Resale Shelf Registration Statement and (ii) the first Issuer Shelf Registration Statement).

"Issuer Shelf Registration Statement" has the meaning set forth in Section 2.4(b).

"Market Value" means, with respect to the Common Stock, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date of a written request for registration pursuant to Section 2.1(a). The market price for each such

trading day shall be: (i) if the Common Stock is listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, in either case as reported in the principal consolidated transaction reporting system, (ii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the Company, or (iii) if the Common Stock is not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the Company, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Market Value of the Common Stock shall be determined by the Board of Directors of the Company acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"Notice and Questionnaire" means a written notice, substantially in the form attached as Exhibit A , delivered by a Holder to the Company (i) notifying the Company of such Holder's desire to include Registrable Securities held by it in a Resale Shelf Registration Statement, (ii) containing all information about such Holder required to be included in such registration statement in accordance with applicable law, including Item 507 of Regulation S-K promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto, and (iii) pursuant to which such Holder agrees to be bound by the terms and conditions hereof.

"Operating Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of [_____], 2010, as the same may be amended, modified or restated from time to time.

"Ownership Limit Provisions" mean the various provisions of the Company's Charter set forth in Article [____] thereof restricting the ownership of Common Stock by Persons to specified percentages of the outstanding Common Stock.

"Person" means an individual or a corporation, partnership, limited liability company, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Rady Demand Registration" has the meaning set forth in Section 2.1(a).

"Rady Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Rady Holder" means a Holder that is Ernest S. Rady, or his Affiliates, immediate family members, trusts of immediate family members, estates or heirs or successors or assigns or

the Ernest Rady Trust U/D/T March 10, 1983, as amended, or its Affiliates, successors or assigns.

"Rady Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Registrable Securities" means with respect to any Holder, shares of Common Stock owned, either of record or beneficially, by such Holder that were (a) received by such Holder or an Initial Holder in the Formation Transactions, (b) acquired by such Holder or an Initial Holder directly from the Underwriters or the Company in the IPO, in each case in a transaction disclosed in the registration statement relating to the IPO, (c) issued or issuable upon exchange of Exchangeable Common OP Units received by such Holder or an Initial Holder in the Formation Transactions, (d) solely in the case of any Rady Holder, any Common Stock acquired by such Rady Holder in the open market after the date hereof and prior to the first (1st) anniversary of the date hereof, and, (e) in the case of (a), (b), (c) and (d), any additional shares of Common Stock issued as a dividend or distribution on, in exchange for, or otherwise in respect of, such shares (including as a result of combinations, recapitalizations, mergers, consolidations, reorganizations or otherwise).

As to any particular Registrable Securities, they shall cease to be Registrable Securities at the earliest time as one of the following shall have occurred: (i) a registration statement (including a Resale Shelf Registration Statement) covering such shares has been declared effective by the Commission and all such shares have been disposed of pursuant to such effective registration statement or unless such shares (other than Restricted Shares) were issued pursuant to an effective registration statement (including an Issuer Shelf Registration Statement), (ii) such shares have been publicly sold under Rule 144, (iii) all such shares may be sold in one transaction pursuant to Rule 144 or (iv) such shares have been otherwise transferred in a transaction that constitutes a sale thereof under the Securities Act, the Company has delivered to the Holder's transferee a new certificate or other evidence of ownership for such shares not bearing the Securities Act restricted stock legend and such shares subsequently may be resold or otherwise transferred by such transferee without registration under the Securities Act.

"Registration Expenses" shall have the meaning set forth in Section 2.2.

"Resale Shelf Registration" shall have the meaning set forth in Section 2.4(a).

"Resale Shelf Registration Statement" shall have the meaning set forth in Section 2.4(a).

"Restricted Shares" means shares of Common Stock issued under an Issuer Shelf Registration Statement which if sold by the holder thereof would constitute "restricted securities" as defined under Rule 144.

"Rule 144" means Rule 144 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Rule 415" means Rule 415 promulgated under the Securities Act, as amended from time to time, or any similar successor rule thereto that may be promulgated by the Commission.

"Securities Act" means the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act pursuant to the terms hereof.

"Shelf Registration Statement" means a Resale Shelf Registration Statement and/or an Issuer Shelf Registration Statement.

"Suspension Notice" means any written notice delivered by the Company pursuant to Section 2.14 with respect to the suspension of rights under a Resale Shelf Registration Statement or any prospectus contained therein.

"Underwriter" means a securities dealer who purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

ARTICLE II
REGISTRATION RIGHTS

Section 2.1. Underwritten Demand Registration.

(a) Commencing on or after the date that is three hundred sixty five (365) days after the consummation date of the IPO and until such time as a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) has been declared effective, or if at any time on or after the date that is sixteen (16) months after the consummation date of the IPO, a Resale Shelf Registration Statement (or to the extent permitted by Section 2.4(b), an Issuer Shelf Registration Statement) shall not be effective, the majority in interest of the Rady Holder(s) may make written requests to the Company for one or more registrations of underwritten offerings under the Securities Act of all or part of their Common Stock constituting Registrable Securities (a "Rady Demand Registration"). The Company shall prepare and file a registration statement on an appropriate form with respect to any Rady Demand Registration (the "Rady Demand Registration Statement") and shall use its reasonable efforts to cause the Rady Demand Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof. Any request for a Rady Demand Registration will specify the number of shares of Registrable Securities proposed to be sold in the underwritten offering. The Company shall have the opportunity to register such number of shares of Common Stock as it may elect on the Rady Demand Registration Statement and as part of the same underwritten offering in connection with a Rady Demand Registration (a "Company Piggy-Back Registration"). Unless a majority in interest of the Rady Holders participating in such Rady Demand Registration shall consent in writing, no party, other than the Company, shall be permitted to offer securities in connection with any such Rady Demand Registration.

(b) Underwriters. The Company shall select the book-running managing Underwriter in connection with any Rady Demand Registration; provided that such managing Underwriter must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration. The Company may select any additional investment banks and managers to be used in connection with the offering; provided that such additional investment bankers and managers must be reasonably satisfactory to a majority in interest of the Rady Holders participating in such Rady Demand Registration.

Section 2.2. Piggy-Back Registration. If the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock by the Company for its own account (other than (i) any registration statement filed in connection with a demand registration by a party other than a Rady Holder or (ii) a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission) or filed in connection with an exchange offer or offering of securities solely to the Company's existing securityholders), then the Company shall give written notice of such proposed filing to the Rady Holders as soon as practicable (but in no event less than ten (10) days before the anticipated filing date), and such notice shall offer such Rady Holders the opportunity to register such number of shares of Registrable Securities as each such Rady Holder may request (a "Rady Piggy-Back Registration"); provided, that if and so long as a Shelf Registration Statement is on file and effective, then the Company shall have no obligation to effect a Rady Piggy-Back Registration. The Company shall use its commercially reasonable efforts to cause the managing Underwriter(s)of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Rady Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company included therein.

Section 2.3. Reduction of Offering. Notwithstanding anything contained in Sections 2.1 and 2.2, if the managing Underwriter(s) of an offering described in Section 2.1 or 2.2 advise in writing the Company and the Rady Holders that the size of the intended offering is such that the success of the offering would be significantly and adversely affected by inclusion of (i) the Registrable Securities requested to be included by the Rady Holders in a Rady Piggy-Back Registration or (ii) the Common Stock requested to be included by the Company in a Rady Demand Registration/Company Piggy-Back Registration, then: (x) in the case of a Rady Demand Registration/ Company Piggy-Back Registration, the amount of the Common Stock to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering;and (y) in the caseof a Rady Piggy-Back Registration, the amount of securities to be offered for the accounts of Rady Holders shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s), provided, that the amount of securities to be offered by the Rady Holders shall not be reduced to less than thirty percent (30%) of the total number of securities to be included in such offering.

Section 2.4. Shelf Registration.

(a) Subject to Section 2.14, the Company shall prepare and file not later than fourteen (14) months after the consummation date of the IPO, a "shelf" registration statement with respect to the resale of the Registrable Securities ("Resale Shelf Registration") by the Holders thereof on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (the "Resale Shelf Registration Statement") and permitting registration of such Registrable Securities for resale by such Holders in accordance with the methods of distribution elected by the Holders and set forth in the Resale Shelf Registration Statement. The Company shall use its reasonable efforts to cause the Resale Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof, and, subject to Sections 2.4(d) and 2.14, to keep such Resale Shelf Registration Statement continuously effective for a period ending when all shares of Common Stock covered by the Resale Shelf Registration Statement are no longer Registrable Securities.

At the time the Resale Shelf Registration Statement is declared effective, each Holder that has delivered a duly completed and executed Notice and Questionnaire to the Company on or prior to the date ten (10) Business Days prior to such time of effectiveness shall be named as a selling securityholder in the Resale Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver such prospectus to purchasers of Registrable Securities in accordance with applicable law. If required by applicable law, subject to the terms and conditions hereof, after effectiveness of the Resale Shelf Registration Statement, the Company shall file a supplement to such prospectus or amendment to the Resale Shelf Registration Statement not less than once a quarter as necessary to name as selling securityholders therein any Holders that provide to the Company a duly completed and executed Notice and Questionnaire and shall use reasonable efforts to cause any post-effective amendment to such Resale Shelf Registration Statement filed for such purpose to be declared effective by the Commission as promptly as reasonably practicable after the filing thereof.

(b) The Company may, at its option, satisfy its obligation to prepare and file a Resale Shelf Registration Statement pursuant to Section 2.4(a) with respect to shares of Common Stock issuable upon exchange of Exchangeable Common OP Units by preparing and filing with the Commission not later than fourteen (14) months after the consummation date of the IPO a registration statement on an appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (an "Issuer Shelf Registration Statement") providing for (i) the issuance by the Company, from time to time, to the Holders of such Exchangeable Common OP Units, of shares of Common Stock registered under the Securities Act (the "Primary Shares") and (ii) to the extent such Primary Shares constitute Restricted Shares, the registered resale thereof by their Holders from time to time in accordance with the methods of distribution elected by the Holders and set forth therein (but except as provided in Section 2.4(c) below, not an underwritten offering). The Company shall use its reasonable efforts to cause the Issuer Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable after filing thereof and, subject to Sections 2.4(d) and 2.14, to keep the Issuer Shelf Registration Statement continuously effective for a period (the "Effectiveness Period") expiring on the date all of the shares of Common Stock covered by such Issuer Shelf Registration Statement have been issued by the Company pursuant thereto or are no longer Registrable Securities. If the Company shall exercise its rights under this Section 2.4(b), Holders (other than Holders of Restricted Shares) shall have

no right to have shares of Common Stock issued or issuable upon exchange of Exchangeable Common OP Units included in a Resale Shelf Registration Statement pursuant to Section 2.4(a).

(c) Underwritten Registered Resales. Any offering under a Resale Shelf Registration Statement or by Holders under an Issuer Shelf Registration Statement shall be underwritten at the written request of Holders of Registrable Securities under such registration statement that hold in the aggregate at least ten percent 10% of the Registrable Securities originally issued in the Formation Transactions (provided, that the Registrable Securities requested to be registered in such underwritten offering shall either (i) have a Market Value of at least $25,000,000 on the date of such request or (ii) shall represent all remaining Registrable Securities held by all Rady Holders and shall have a Market Value of at least $10,000,000 on the date of such request; provided, further, that the Company shall not be obligated to effect more than three (3) underwritten offerings under this Section 2.4(c); and provided, further, that the Company shall not be obligated to effect, or take any action to effect, an underwritten offering (i) within 120 days following the last date on which an underwritten offering was effected pursuant to this Section 2.4(c) or Section 2.1(a) or during any lock-up period required by the Underwriters in any prior underwritten offering conducted by the Company on its own behalf or on behalf of selling stockholders, or (ii) during the period commencing with the date thirty (30) days prior to the Company's good faith estimate of the date of filing of (provided the Company is actively employed in good faith commercially reasonable efforts to file such registration statement), and ending on a date ninety (90) days after the effective date of, a registration statement with respect to an offering by the Company. Any request for an underwritten offering hereunder shall be made to the Company in accordance with the notice provisions of this Agreement.

(d) Subsequent Filing. The Company shall prepare and file such additional registration statements as necessary every three (3) years and use its reasonable efforts to cause such registration statements to be declared effective by the Commission so that a Shelf Registration Statement remains continuously effective, subject to Section 2.14, with respect to resales of Registrable Securities as and for the periods required under Section 2.4(a) or (b), as applicable (such subsequent registration statements to constitute a Resale Shelf Registration Statement or an Issuer Shelf Registration Statement, as the case may be, hereunder).

(e) Selling Holders Become Party to Agreement. Each Holder acknowledges that by participating in its registration rights pursuant to this Agreement, such Holder will be deemed a party to this Agreement and will be bound by its terms, notwithstanding such Holder's failure to deliver a Notice and Questionnaire; provided, that any Holder that has not delivered a duly completed and executed Notice and Questionnaire shall not be entitled to be named as a Selling Holder in, or have the Registrable Securities held by it covered by, a Shelf Registration Statement.

Section 2.5. Reduction of Offering. Notwithstanding anything contained herein, if the managing Underwriter(s) of an offering described in Section 2.4(c) advise in writing the Company and the Holder(s) of the Registrable Securities included in such offering that the size of the intended offering is such that the success of the offering would be significantly adversely

affected by inclusion of all the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders shall be reduced pro rata (according to the Registrable Securities requested for inclusion) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s) but in priority to any securities proposed to be sold by any other holders of securities of the Company with registration rights to participate therein. The Company shall have the opportunity to include such number of securities as it may elect in an offering described in Section 2.4(c); provided, if the managing Underwriter(s) of such offering advise in writing the Company and the Holder(s) of the Registrable Securities requested to be included that the success of the offering would be significantly adversely affected by inclusion of all the securities requested to be included by the Company, then the amount of securities to be offered for the account of the Company shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing Underwriter(s); provided, further, the amount of securities to be offered by the Company shall not be reduced to less than fifty percent (50%) of the total number of securities to be included in such offering.

Section 2.6. Registration Procedures; Filings; Information. Subject to Section 2.14 hereof, in connection with any Resale Shelf Registration Statement under Section 2.4(a), the Company will use its reasonable efforts to effect the registration of the Registrable Securities covered thereby in accordance with the intended method of disposition thereof as quickly as practicable, and, in connection with any Issuer Shelf Registration Statement under Section 2.4(b), the Company will use its reasonable efforts to effect the registration of the Primary Shares (including for resale, to the extent provided in clause (ii) of Section 2.4(b)) as quickly as reasonably practicable. In connection with any Shelf Registration Statement:

(a) The Company will no later than two (2) Business Days prior to filing a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) or prospectus or any amendment or supplement thereto, furnish to each Selling Holder and each Underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter furnish to such Selling Holder and Underwriter, if any, such number of conformed copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder or Underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder.

(b) After the filing of a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(c) The Company will use its reasonable efforts to (i) register or qualify the Registrable Securities under such other securities or "blue sky" laws of such jurisdictions in the United States (where an exemption does not apply) as any Selling Holder or managing Underwriter(s), if any, reasonably (in light of such Selling Holder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition of the Registrable Securities owned by such Selling Holder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (c), (B) subject itself to general taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction. The Company will promptly notify each Selling Holder of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose.

(d) The Company will immediately notify each Selling Holder of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the Company's receipt of any notification of the suspension of the qualification of any Registrable Securities covered by a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)) for sale in any jurisdiction; or (ii) the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and promptly make available to each Selling Holder any such supplement or amendment.

(e) The Company will otherwise use its reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder (or any successor rule or regulation hereafter adopted by the Commission).

(f) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement (or an Issuer Shelf Registration Statement providing for resales pursuant to clause (ii) of Section 2.4(b)), the Company will enter into and perform its obligations under customary agreements (including an underwriting agreement, if any, in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities (including, to the extent reasonably requested by the lead or managing Underwriters, sending appropriate officers of the Company to attend "road shows" scheduled in reasonable number and at reasonable times in connection

with any such underwritten offering, and obtaining customary comfort letters and legal opinions) subject to such underwritten offering.

(g) In the case of an underwritten offering pursuant to a Resale Shelf Registration Statement, the Company will make available for inspection by any Selling Holder of Registrable Securities subject to such underwritten offering, any Underwriter participating in any disposition of such Registrable Securities and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter, all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any inspectors in connection with such registration statement, subject to entry by each such Person of a customary confidentiality agreement in a form reasonably acceptable to the Company.

(h) The Company will use its reasonable efforts to cause all Registrable Securities covered by such Resale Shelf Registration Statement or Primary Shares covered by such Issuer Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(i) In addition to the Notice and Questionnaire, the Company may require each Selling Holder of Registrable Securities to promptly furnish in writing to the Company such information regarding such Selling Holder, the Registrable Securities held by it and the intended method of distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration. No Holder may include Registrable Securities in any registration statement pursuant to this Agreement unless and until such Holder has furnished to the Company such information. Each Holder further agrees to furnish as soon as reasonably practicable to the Company all information required to be disclosed in order to make information previously furnished to the Company by such Holder not materially misleading.

(j) Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(b) or 2.6(d) or upon receipt of a Suspension Notice, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of written notice from the Company that such disposition may be made and, in the case of clause (ii) of Section 2.6(d) or, if applicable, Section 2.14, copies of any supplemented or amended prospectus contemplated by clause (ii) of Section 2.6(d) or, if applicable, prepared under Section 2.14, and, if so directed by the Company, such Selling Holder will deliver to the Company all copies, other than permanent file copies then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. Each Selling Holder of Registrable Securities agrees that it will immediately notify the Company at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Securities Act of the happening of an event as a result of which information previously furnished by such Selling Holder to the Company in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact

required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances in which they were made.

Section 2.7. Registration Expenses. In connection with any registration statement required to be filed hereunder, the Company shall pay the following registration expenses incurred in connection with the registration hereunder (the "Registration Expenses"), regardless whether such registration statement is declared effective by the Commission: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company, including in connection with the preparation of comfort letters, and any transfer agent and registrar fees, and (vii) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or any transfer taxes relating to the registration or sale of the Registrable Securities.

Section 2.8. Indemnification by the Company. The Company agrees to indemnify and hold harmless each Selling Holder of Registrable Securities, its officers, directors, agents, partners, members, employees, managers, advisors, sub-advisors, attorneys, representatives and Affiliates, and each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against, as incurred, any and all losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, prospectus, or free writing prospectus relating to the Registrable Securities (in each case, as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or that arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission included in reliance upon and in conformity with information furnished in writing to the Company by such Selling Holder or on such Selling Holder's behalf expressly for inclusion therein.

Section 2.9. Indemnification by Holders of Registrable Securities. Each Selling Holder agrees, severally but not jointly or jointly and severally, to indemnify and hold harmless the Company, its officers, directors, agents, employees, attorneys, representatives and Affiliates, and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Selling Holder, but only with respect to information relating to such Selling Holder included in reliance upon and in conformity with information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration

statement, preliminary prospectus, prospectus or free writing prospectus relating to the Registrable Securities, or any amendment or supplement thereto. In case any action or proceeding shall be brought against the Company or its officers, directors or agents or any such controlling person, in respect of which indemnity may be sought against such Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its officers, directors or agents or such controlling person shall have the rights and duties given to such Selling Holder, by Section 2.10; provided, however, that the total obligations of such Selling Holder under this Agreement (including, but not limited to, obligations arising under Section 2.11 herein) will be limited to an amount equal to the net proceeds actually received by such Selling Holder (after deducting any discounts and commissions) from the disposition of Registrable Securities pursuant to such registration statement.

Section 2.10. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 2.8 or 2.9, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (an "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided, however, that the failure of any Indemnified Party to give such notice will not relieve such Indemnifying Party of any obligations under Section 2.8 or 2.9, except to the extent such Indemnifying Party is materially prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) representation of the Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and the Indemnified Party. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by (i) in the case of Persons indemnified pursuant to Section 2.8 hereof, the Selling Holders which owned a majority of the Registrable Securities sold under the applicable registration statement and (ii) in the case of Persons indemnified pursuant to Section 2.9, the Company. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding without any admission of liability by such Indemnified Party.

Section 2.11. Contribution. If the indemnification provided for in Section 2.8 or 2.9 hereof is held by a court of competent jurisdiction to be unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities that otherwise would have been covered by Section 2.8 or 2.9 hereof, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of each Selling Holder, on the other hand, in connection with such statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party.

The Company and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 2.11 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.11, no Selling Holder shall be required to contribute any amount which in the aggregate exceeds the amount by which the net proceeds actually received by such Selling Holder from the sale of its securities to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Selling Holder's obligations to contribute pursuant to this Section 2.11, if any, are several in proportion to the proceeds of the offering actually received by such Selling Holder bears to the total proceeds of the offering received by all the Selling Holders and not joint.

Section 2.12. Rule 144. The Company covenants that it will (a) make and keep public information regarding the Company available as those terms are defined in Rule 144, (b) file in a timely manner any reports and documents required to be filed by it under the Securities Act and the Exchange Act, (c) furnish to any Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time more than ninety (90) days after the effective date of the registration statement for the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), and (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable Holders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 2.13. Participation in Underwritten Offerings. No Person may participate in any underwritten offerings hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights provided for in this Article II.

Section 2.14. Suspension of Use of Registration Statement.

(a) If the Board of Directors of the Company determines in its good faith judgment that the filing of a Rady Demand Registration Statement or Resale Shelf Registration Statement under Section 2.1(a) or Section 2.4(a) or the use of any related prospectus would be materially detrimental to the Company because such action would require the disclosure of material information that the Company has a bona fide business purpose for preserving as confidential or the disclosure of which would materially impede the Company's ability to consummate a significant transaction, and that the Company is not otherwise required by applicable securities laws or regulations to disclose, upon written notice of such determination by the Company to the Holders which shall be signed by the Chief Executive Officer, President or any Executive Vice President of the Company certifying thereto, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Resale Shelf Registration or to require the Company to take action with respect to the registration or sale of any Registrable Securities pursuant to a Resale Shelf Registration Statement shall be suspended until the earliest of (i) the date upon which the Company notifies the Holders in writing that suspension of such rights for the grounds set forth in this Section 2.14(a) is no longer necessary and they may resume use of the applicable prospectus, (ii) the date upon which copies of the applicable supplemented or amended prospectus is distributed to the Holders, and (iii) (x) up to thirty (30) consecutive days after the notice to the Holders if that notice is given during the Initial Period or (y) ninety (90) consecutive days after the notice to the Holders if that notice is given after the Initial Period; provided, that the Company shall not be entitled to exercise any such right more than two (2) times in any twelve (12) month period or less than thirty (30) days from the termination of the prior such suspension period; and provided further, that such exercise shall not prevent the Holders from being entitled to at least three hundred twenty (320) days of effective registration with respect to such registration statement during each Initial Period and thereafter two hundred ten (210) days of effective registration with respect to such registration statement in any 365-day period. The Company agrees to give the notice under (i) above as promptly as practicable following the date that such suspension of rights is no longer necessary.

(b) If all reports required to be filed by the Company pursuant to the Exchange Act have not been filed by the required date without regard to any extension, or if the consummation of any business combination by the Company has occurred or is probable for purposes of Rule 3-05 or Article 11 of Regulation S-X promulgated under the Securities Act or any similar successor rule, upon written notice thereof by the Company to the Holders, the rights of the Holders to offer, sell or distribute any Registrable Securities pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement or to require the Company to take action with respect to the registration or sale of any Registrable Securities

pursuant to a Rady Demand Registration Statement or Resale Shelf Registration Statement shall be suspended until the date on which the Company has filed such reports or obtained and filed the financial information required by Rule 3-05 or Article 11 of Regulation S-X to be included or incorporated by reference, as applicable, in a Rady Demand Registration Statement or Resale Shelf Registration Statement, and the Company shall use commercially reasonable efforts to file the required reports or obtain and file the financial information required to be included or incorporated by reference, as applicable, as promptly as commercially practicable, and shall notify the Holders as promptly as practicable when such suspension is no longer required.

Section 2.15. Additional Shares. The Company, at its option, may register under a Shelf Registration Statement and any filings with any state securities commissions filed pursuant to this Agreement, any number of unissued shares of Common Stock or any shares of Common Stock owned by any other stockholder or stockholders of the Company; provided that in no event shall the inclusion of such shares on a registration statement reduce the amount offered for the account of the Holders in any underwritten offering at the request of the Holders pursuant to Section 2.1(a) or Section 2.4(c).

ARTICLE III
MISCELLANEOUS

Section 3.1. Remedies. In addition to being entitled to exercise all rights provided herein and granted by law, including recovery of damages, the Holders shall be entitled to specific performance of the rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

Section 3.2. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, in each case without the written consent of the Company and the Holders against whom enforcement is sought. No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 3.3. Notices. All notices and other communications in connection with this Agreement shall be made in writing by hand delivery, registered first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to any Holder, initially to the address indicated in such Holder's Notice and Questionnaire or, if no Notice and Questionnaire has been delivered, c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address and to such other Persons as any Holder may hereafter specify in writing; and

(2) if to the Company, initially at 11455 El Camino Real, Suite 200, San Diego, California 92130, Attention: Chief Executive Officer, or to such other address as the Company may hereafter specify in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when received if deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 3.4. Successors and Assigns; Assignment of Registration Rights. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties. Any Holder may assign its rights under this Agreement without the consent of the Company in connection with a transfer of such Holder's Registrable Securities; provided, that the Holder notifies the Company of such proposed transfer and assignment and the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement.

Section 3.5. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 3.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 3.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 3.8. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.9. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.10. Termination. The obligations of the parties hereunder shall terminate with respect to a Holder when it no longer holds Registrable Securities and with respect to the Company upon the end of the Effectiveness Period with respect to any Issuer Shelf Registration Statement and with respect to a Resale Shelf Registration Statement when there are no longer Registrable Securities with respect to such Resale Shelf Registration Statement, except, in each case, for any obligations under Sections 2.4(d), 2.7, 2.8, 2.9, 2.10, 2.11 and Article III.

Section 3.11. Waiver of Jury Trial. The parties hereto (including any Initial Holder and any subsequent Holder) irrevocably waive any right to trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:

HOLDERS LISTED ON SCHEDULE I HERETO

AMERICAN ASSETS TRUST, INC.

By: _____
Name:
Title:
As Attorney-in-Fact acting on behalf of each of the Holders named on Schedule I hereto

Schedule I

See Attached.

Exhibit A

Form of Notice and Questionnaire

The undersigned beneficial holder of shares of common stock, par value $.01 per share ("Common Stock"), of American Assets Trust, Inc. (the "Company") and/or units of limited partnership interests ("OP Units" and, together with the Common Stock, the "Registrable Securities") of American Assets Trust, L.P. (the "Operating Partnership"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "SEC") one or more registration statements (collectively, the "Resale Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement"), dated [_____], 2010, among the Company and the holders listed on Schedule I thereto. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to the benefits of the Registration Rights Agreement. In order to sell or otherwise dispose of any Registrable Securities pursuant to the Resale Shelf Registration Statement, a beneficial owner of Registrable Securities generally will be required to be named as a selling security holder in the related prospectus, deliver a prospectus to purchasers of Registrable Securities and be bound by those provisions of the Registration Rights Agreement applicable to such beneficial owner (including certain indemnification provisions as described below). **To be included in the Resale Shelf Registration Statement, this Notice and Questionnaire must be completed, executed and delivered to the Company at the address set forth herein on or prior to the tenth business day before the effectiveness of the Resale Shelf Registration Statement.** We will give notice of the filing and effectiveness of the initial Resale Shelf Registration Statement by issuing a press release and by mailing a notice to the holders at their addresses set forth in the register of the registrar.

Beneficial owners that do not complete this Notice and Questionnaire and deliver it to the Company as provided below will not be named as selling security holders in the prospectus and therefore will not be permitted to sell any Registrable Securities pursuant to the Resale Shelf Registration Statement. Beneficial owners are encouraged to complete and deliver this Notice and Questionnaire prior to the effectiveness of the initial Resale Shelf Registration Statement so that such beneficial owners may be named as selling security holders in the related prospectus at the time of effectiveness. Upon receipt of a completed Notice and Questionnaire from a beneficial owner following the effectiveness of the initial Resale Shelf Registration Statement, in accordance with the Registration Rights Agreement, the Company will file such amendments to the initial Resale Shelf Registration Statement or additional shelf registration statements or supplements to the related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of Registrable Securities.

Certain legal consequences arise from being named as selling security holders in the Resale Shelf Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling security holder in the Resale Shelf Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Security Holder") of Registrable Securities hereby elects to include in the prospectus forming a part of the Resale Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item 3 (unless otherwise specified under Item 3). The undersigned, by signing and returning this Notice and Questionnaire, understands that it will be bound by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the undersigned has agreed to indemnify and hold harmless the Company and its directors, officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against certain losses arising in connection with statements concerning the undersigned made in the Resale Shelf Registration Statement or the related prospectus in reliance upon the information provided in this Notice and Questionnaire.

The undersigned hereby provides the following information to the Company and represents and warrants to the Company that such information is accurate and complete:

QUESTIONNAIRE

1. (a) Full Legal Name of Selling Security Holder:

_____

(b) Full Legal Name of registered holder (if not the same as (a) above) through which Registrable Securities listed in Item (3) below are held:

_____

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) through which Registrable Securities listed in Item (3) below are held:

_____

(d) List below the individual or individuals who exercise voting and/or dispositive powers with respect to the Registrable Securities listed in Item (3) below:

_____

2. Address for Notices to Selling Security Holder:

Telephone: _____

Fax: _____

E-mail address: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

Type of Registrable Securities beneficially owned, and number of shares of Common Stock and/or Common OP Units, as the case may be, beneficially owned:

4. Beneficial Ownership of Securities of the Company Owned by the Selling Security Holder:

Except as set forth below in this Item (4), the undersigned is not the beneficial or registered owner of any securities of the Company, other than the Registrable Securities listed above in Item (3).

Type and amount of other securities beneficially owned by the Selling Security Holder:

5. Relationship with the Company

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

6. Plan of Distribution

Except as set forth below, the undersigned (including its donees or pledgees) intends to distribute the Registrable Securities listed above in Item (3) pursuant to the Resale Shelf Registration Statement only as follows and will not be offering any of such Registrable Securities pursuant to an agreement, arrangement or understanding entered into with a

broker or dealer prior to the effective date of the Resale Shelf Registration Statement. Such Registrable Securities may be sold from time to time directly by the undersigned or, alternatively, through underwriters or broker-dealers or agents. If the Registrable Securities are sold through underwriters or broker-dealers, the Selling Security Holder will be responsible for underwriting discounts or commissions or agent's commissions. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions)

(i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale;

(ii) in the over-the-counter market;

(iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

(iv) through the writing of options.

In connection with sales of the Registrable Securities or otherwise, the undersigned may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

Note: In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior written agreement of the Company.

ACKNOWLEDGEMENTS

The undersigned acknowledges that it understands its obligation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and the rules thereunder relating to stock manipulation, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities pursuant to the Registration Rights Agreement. The undersigned agrees that neither it nor any person acting on its behalf will engage in any transaction in violation of such provisions.

The Selling Security Holder hereby acknowledges its obligations under the Registration Rights Agreement to indemnify and hold harmless certain persons set forth therein. Pursuant to the Registration Rights Agreement, the Company has agreed under certain circumstances to indemnify the Selling Security Holders against certain liabilities.

In accordance with the undersigned's obligation under the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Resale Shelf Registration Statement, the undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Resale Shelf Registration Statement remains effective. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing at the address set forth below.

In the event that the undersigned transfers all or any portion of the Registrable Securities listed in Item 3 above after the date on which such information is provided to the Company, the undersigned agrees to notify the transferee(s) at the time of transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing this Notice and Questionnaire, the undersigned consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Resale Shelf Registration Statement and the related prospectus. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Resale Shelf Registration Statement and the related prospectus.

Once this Notice and Questionnaire is executed by the Selling Security Holder and received by the Company, the terms of this Notice and Questionnaire and the representations and warranties contained herein shall be binding on, shall insure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives and assigns of the Company and the Selling Security Holder with respect to the Registrable Securities beneficially owned by such Selling Security Holder and listed in Item 3 above.

This Notice and Questionnaire shall be governed by, and construed in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Beneficial Owner

By _____
Name:
Title:

Dated:

Please return the completed and executed Notice and Questionnaire to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Tel: (858) 350-2600
Fax: (858) 350-2620
Attention: Chief Financial Officer

Exhibit E

Order of Mergers

Each step within each "Transaction Step" below must be completed before the transactions in the following "Transaction Step" may be completed. All transactions within each "Transaction Step" may be completed simultaneously or in any order.

Transaction Step 1

All Forward REIT Mergers
All REIT Sub Forward Mergers

Transaction Step 2

All Contributions to the OP (including the REIT's contribution to the OP of the assets acquired in Step 1)

Transaction Step 3

All Contributions to subsidiaries of the OP (including, where applicable, the OP's contribution to the applicable subsidiary of assets acquired in Step 2)

Transaction Step 4

All OP Forward Mergers ***except*** the OP Forward Merger set forth in Transaction Step 5 and Transaction Step 7 below

Transaction Step 5

Forward Merger of Desert Hillside Holdings LLC with and into the Operating Partnership

Transaction Step 6

All OP Sub Forward Mergers ***except*** the OP Sub Forward Merger set forth in Transaction Step 7 below

Transaction Step 7

Forward Merger of BWH Holdings LLC with and into the Operating Partnership

Forward Merger of Desert Oceanside Holdings LLC with and into Pacific Oceanside Holdings LLC.

Transaction Step 8

All OP Sub Reverse Mergers

Exhibit F

Operating Partnership Agreement

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMERICAN ASSETS TRUST, L.P.

a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [_____], 2010

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Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [_____], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [_____], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

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

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

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

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

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares

issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided*, *however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

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

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

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

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

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

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

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

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

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

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

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

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

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

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

"*Common Unit Economic Balance*" means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner's share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner's ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner's Partnership Common Units.

"*Consent*" means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms "*Consented*" and "*Consenting*" have correlative meanings.

"*Consent of the General Partner*" means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

"*Consent of the Limited Partners*" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

"*Consent of the Partners*" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided*, *however*, that, if any such action affects only certain classes or series of Partnership Interests, "Consent of the Partners" means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

"*Constituent Person*" has the meaning set forth in Section 16.9.F hereof.

"*Contributed Property*" means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a "new" partnership pursuant to Code Section 708).

"*Controlled Entity*" means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner's Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner's Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner's Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership's capital and profits and (d) any limited liability company

of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

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

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

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

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

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Family Members*" means, as to a Person that is an individual, such Person's spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

"*Final Adjustment*" has the meaning set forth in Section 10.3.B(2) hereof.

"*Flow-Through Partners*" has the meaning set forth in Section 3.4.C hereof.

"*Flow-Through Entity*" has the meaning set forth in Section 3.4.C hereof.

"*Forced Conversion*" has the meaning set forth in Section 16.9.C hereof.

"*Forced Conversion Notice*" has the meaning set forth in Section 16.9.C hereof.

"*Fourteen-Month Period*" means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party's first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

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

"*General Partner*" means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on Exhibit A, as such Exhibit A may be amended from time to time, in such Person's capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

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

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

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

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

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

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

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

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

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the

appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

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

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

"*LTIP Units*" means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

"*Majority in Interest of the Limited Partners*" means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

"*Majority in Interest of the Partners*" means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

"*Market Price*" has the meaning set forth in the definition of "*Value*."

"*Maryland Courts*" has the meaning set forth in Section 15.9.B hereof.

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

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss" shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of "Net Income" or "Net Loss," shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

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

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

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

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

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

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

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

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

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt

were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

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

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established within ten (10) Business Days of the record date for the determination of the existence of such Partnership Approval, then Partnership Approval shall be deemed not to exist with respect to the event constituting such General Partner Interest Transfer.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in

Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

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

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided*, *however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

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

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"*SDAT*" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a

"taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT

Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation.* The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name.* The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office.* The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such

other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

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

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

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

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term.* The term of the Partnership commenced on [_____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities.* All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business.* The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified.* The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a "partnership at will" (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the

meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an

individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

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

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing

services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to

the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided, however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment

Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the General Partner shall sell to such Partnership Subsidiary), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Partnership Subsidiary, the Partnership Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

D. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares*.

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially the same as the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of such Capital Shares ("*Partnership Equivalent Units*") equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the

Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares.* Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its

sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term "Partnership Year" may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

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

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

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

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being

allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4)

and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. *Allocation of Excess Nonrecourse Liabilities*. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

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

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

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

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

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

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

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

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

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating

to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

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

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

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

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

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

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

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

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

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is

entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several,

expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

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

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

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

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

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

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

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

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

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

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

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

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

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

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been

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

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such

opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

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

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner*. No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year*. For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns*. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections*. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

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

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a "notice partner" (as defined in Code Section 6231) or a member of a "notice group" (as defined in Code Section 6223(b)(2));

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

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

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

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

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

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

Section 10.4 *Withholding*. Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan

if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses*. The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any

other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. The General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its stockholders (each of a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of

its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided, however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided, further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided, however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided, further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided, however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by

the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within

the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be

subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions.*

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii)

in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner*. A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate Consent of the Limited Partners or the consent or approval of any other Partners. Any such

successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission

shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership*. For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners*. Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission.* A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution*. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

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

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

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

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

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

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution*. Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax

purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders*. Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution*. In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership*. Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up*. A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided, however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS
OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners*. The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments*. Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the

proposal; *provided, however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action, (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion,

redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided, however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or

restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice*. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions*. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as

specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals*. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action*. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver.*

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

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided*, *however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided*, *further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts*. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

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

event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement*. This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions*. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status*. Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, however, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition*. No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby*. The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third

party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders*. Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation*. A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting*.

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, arrangement or program, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and

with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments*. The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP

Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations*. Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers*. Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption*. The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend*. Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units

covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be

reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special

allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting*. LTIP Unit Limited Partners shall (a) have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth below, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter. So long as any LTIP Units remain outstanding and except as provided in Section 16.3, the Partnership shall not, without the Consent of the Limited Partners holding a majority of the LTIP Units held by Limited Partners at the time (voting separately as a class), amend, alter or repeal, whether by merger, consolidation or otherwise, the provisions of the Agreement applicable to LTIP Units so as to materially and adversely affect any right, privilege or voting power of the LTIP Units or the LTIP Unit Limited Partners as such, unless such amendment, alteration, or repeal affects equally, ratably and proportionately the rights, privileges and voting powers of the Limited Partners holding Partnership Common Units; but subject, in any event, to the following provisions: (i) with respect to any Transaction, so long as the LTIP Units are treated in accordance with Section 16.9.F hereof, the consummation of such Transaction shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such; and (ii) any creation or issuance of any Partnership Units or of any class or series of Partnership Interest including without limitation additional Partnership Units or LTIP Units, whether ranking senior to, junior to, or on a parity with the LTIP Units with respect to distributions or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the LTIP Units or the LTIP Unit Limited Partners as such. The foregoing voting provisions will not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required will be effected, all outstanding LTIP Units shall have been converted or provision is made for such conversion to occur as of or prior to such time into Partnership Common Units.

Section 16.11 *Section 83 Safe Harbor*. Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such

election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: _____
Name:
Its:

LIMITED PARTNER:
[,
a],

By: _____
Name:
Its:

LIMITED PARTNER:

_____
Name:

As of [ ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	**Partnership Units (Type and Amount)**
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL:	[ ] Partnership Common Units

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [_____] is 1.0 and (b) on [_____] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

_____

_____

_____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [ ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: _____

Name of Limited Partner or Assignee:

_____

_____

(Signature of Limited Partner or Assignee)

_____

(Street Address)

_____

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to:

_____

Please insert social security
or identifying number:

_____

EXHIBIT D

**NOTICE OF ELECTION BY PARTNER TO CONVERT
LTIP UNITS INTO PARTNERSHIP COMMON UNITS**

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

_____

(Signature of Holder)

_____

(Street Address)

_____

(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

_____

Issue Check Payable to: _____

Please insert social security
or identifying number: _____

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: _____

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: _____

Date of this Notice: _____

Exhibit G

Formation Transaction Documentation

Form of Forward REIT Merger Agreement

Form of REIT Sub Forward Merger Agreement

Form of Forward OP Merger Agreement

Form of OP Sub Forward Merger Agreement

Form of OP Sub Reverse Merger Agreement

Form of OP Contribution Agreement

Form of OP Sub Contribution Agreement

Form of Alternate Contribution Agreement

Form of Tax Protection Agreement

Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.

Registration Rights Agreement

Representation, Warranty and Indemnity Agreement

Indemnity Escrow Agreement

Lock-Up Agreement

Articles of Amendment and Restatement of American Assets Trust, Inc.

Bylaws of American Assets Trust, Inc.

Management Business Contribution Agreement

Exhibit 10.16

MANAGEMENT BUSINESS CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT is made and entered into as of September 13, 2010 by and between AMERICAN ASSETS, INC., a California corporation ("Assignor"), and AMERICAN ASSETS TRUST MANAGEMENT, LLC, a Delaware limited liability company, ("Assignee").

RECITALS

WHEREAS, Assignee is a wholly owned subsidiary of Assignor; and

WHEREAS, Assignor wishes to contribute and assign to Assignee and Assignee wishes to assume all right, title and interest in and to the assets set forth on Schedule A (the "Contributed Assets") and the liabilities set forth on Schedule B (the "Assumed Liabilities"), in each case related to Assignor's management business (the "Business").

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties and other terms contained in this Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Contribution of Contributed Assets. At the Closing, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor shall contribute, transfer, assign, convey and deliver to Assignee all of the Assignor's right, title and interest in and to the Contributed Assets. Assignee hereby absolutely and unconditionally accepts the foregoing contribution and agrees to assume any and all obligations of Assignor pursuant to the Contributed Assets.

2. Assignment and Assumption of Assumed Liabilities. At the Closing, Assignor shall assign and Assignee shall assume from Assignor (or acquire the Contributed Assets subject to) and thereafter pay, perform or discharge in accordance with their terms, all of the Assumed Liabilities.

3. The Closing. Unless this Agreement shall have been terminated pursuant to Section 4 hereof, the closing of the transactions contemplated hereby (the "Closing") shall occur immediately prior to the closing of the transactions contemplated by that certain Contribution Agreement, dated as of the date hereof, between Assignor and American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership"), whereby all of the outstanding membership interests of Assignee are to be contributed the Operating Partnership pursuant to the terms thereof. The Closing shall take place at the offices of Latham & Watkins LLP, 12636 High Bluff Drive, Suite 400, San Diego, California 92130 or such other place as determined by the Operating Partnership in its sole discretion.

4. Employee Matters.

(a) Transferred Employees. Assignee shall, or shall cause one of its Affiliates (as defined in Section 4(j) below) to, make offers of employment to each of the employees of Assignor identified on Schedule C (the "Affected Employees") effective as of the Closing on substantially the same terms and conditions of employment as are in effect for the Affected Employees as of the date of this Agreement. Any such offer of employment shall be made in writing by Assignee on or before the Closing. Each Affected Employee shall commence employment with Assignee or an Affiliate of Assignee and shall be deemed to have accepted Assignee's or Assignee's Affiliate's offer of employment by reporting for work at his or her normal work location (i) for Affected Employees who are actively employed as of the Closing, immediately following the Closing, and (ii) for Affected Employees who, as of the Closing, are absent due to a leave of absence, upon such Affected Employees return to active employment. Affected Employees who accept employment with Assignee or an Affiliate of Assignee in accordance with the preceding sentence are referred to as "Transferred Employees." Assignor and its Affiliates shall terminate for all purposes the employment of all Affected Employees effective immediately prior to the Closing and, except as otherwise set forth in this Section 4, Assignor shall, or shall cause its Affiliates to, pay out to the Transferred Employees at Closing all amounts payable with respect to earned but unpaid wages and unpaid expense reimbursement amounts accrued by Transferred Employees prior to the Closing in accordance with applicable policies of Assignor and/or its Affiliates.

(b) Service Credit; Pre-Existing Conditions. Assignee shall, or shall cause an Affiliate to, give each Transferred Employee full credit for such Transferred Employee's service with Assignor and/or its Affiliates prior to Closing, in any case, for purposes of eligibility, vesting and benefit accrual under employee benefit plans and programs of Assignee and its Affiliates in which Transferred Employees become eligible to participate following the Closing ("Assignee Plans"), to the extent such credit was recognized under comparable employee benefit plans or programs of Assignor and/or their Affiliates ("Assignor Plans") immediately prior to Closing, except to the extent such service credit results in duplication of benefits. With respect to any Assignee Plans that are welfare benefit plans in which Transferred Employees become eligible to participate on or after the Closing, Assignee shall, or shall cause an Affiliate to, (i) cause there to be waived any eligibility requirements or pre-existing condition limitations, and (ii) give effect, in determining any deductible and maximum out-of-pocket limitations, to amounts paid by such Transferred Employees under comparable Assignor Plans, in each case, to the extent waived and given effect (as applicable) under comparable Assignor Plans immediately prior to Closing.

(c) Accrued PTO. Prior to Closing, Assignor shall, to the extent required by applicable law in order to transfer vacation days, sick time, personal days and other paid-time-off accrued by Transferred Employees prior to the Closing in accordance with applicable policies of Assignor and/or its Affiliates ("Accrued PTO") to Assignee, solicit in writing the consent of each Affected Employee to rollover to Assignor or its designated Affiliate each such Affected Employee's Accrued PTO (if any) upon Closing (the "Accrued PTO Rollover Consents"). For each Affected Employee who becomes a Transferred Employee and either (i) provides such Accrued PTO Rollover Consent on or prior to Closing or (ii) with respect to whom an Accrued PTO Rollover Consent is not required by applicable law to transfer Accrued PTO to Assignee or

its Affiliate, Assignee shall assume and honor or cause an Affiliate to assume and honor such Transferred Employees Accrued PTO. Transferred Employees shall be permitted to use any such assumed Accrued PTO in a manner consistent with Assignee's policies applicable to similarly-situated employees of Assignee and to accrue additional vacation and other paid-time-off in accordance with Assignee's policies and procedures, as in effect from time to time. At the Closing, Assignor shall, or shall cause its Affiliates to, transfer to Assignee an amount equal to the total Accrued PTO subject to the Accrued PTO Rollover Consents. To the extent that any Transferred Employees have not provided an Accrued PTO Rollover Consent upon Closing and such consent is required by law to effect a rollover to Assignee or its Affiliates of Accrued PTO, Assignor shall, or shall cause its Affiliates to, pay out to such Transferred Employees their Accrued PTO at Closing.

(d) WARN Act. Assignee shall be solely responsible for providing notice under of the Worker Adjustment and Retraining Notification Act ("WARN Act") or California Labor Code Section 1400 *et*. *seq*.("Cal-WARN Act"), if Assignee takes any action that would require notice be provided under the WARN ACT or the Cal-WARN Act.

(e) Qualified Plan. As soon as practicable following the Closing, the Assignor shall spin-off and transfer the account balances of each Transferred Employee who is a participant in Assignor's tax-qualified defined contribution plan that is a 401(k) plan (the "Assignor 401(k) Plan") to a tax-qualified defined contribution 401(k) plan established by or maintained by Assignee or one of its Affiliates (the "Assignee 401(k) Plan") in a trustee to trustee transfer in accordance with Section 414(l) of the Internal Revenue Code of 1986, as amended (the "Code"). Assignee shall cause the Assignee 401(k) Plan to have such terms as are necessary so that the transfers described in this Section do not adversely affect the qualified status of the Assignor 401(k) Plan. The transfer of the account balance liability and related assets shall include a trustee to trustee transfer of all participant loan accounts and liabilities under the Assignor 401(k) Plan.

(f) Flexible Spending Plan. With respect to the year in which the Closing occurs, Assignee shall, or shall cause its Affiliates to, establish flexible spending accounts for medical and dependent care expenses under a new or existing plan established or maintained under Section 125 or Section 129 of the Code ("Assignee's FSA"), effective as of the Closing, for each Transferred Employee who is, as of the Closing, a participant in a flexible spending account of Assignor for medical or dependent care expenses under a plan pursuant to Sections 125 or 129 of the Code (the "Assignor's FSA"). Assignee shall, or shall cause its Affiliates to, credit or debit, as applicable, effective on the day after the Closing, the applicable account of each such Transferred Employee under Assignee's FSA with an amount equal to the balance of such Transferred Employee's account under the Assignor's FSA as of the Closing. At the Closing, Assignor shall, or shall cause its Affiliates to, transfer to Assignee an amount equal to the total contributions made to Assignor's FSA by Transferred Employees, reduced by an amount equal to the total claims already paid to such Transferred Employees in respect of the plan year in which the Closing occurs.

(g) Payroll. To the extent permitted by applicable law, the parties hereto shall adopt the "alternate procedure" for preparing and filing all IRS Forms W-2, IRS Forms W-3, IRS Forms W-4, IRS Forms W-5 and IRS Forms 941, as described in Section 5 of Revenue

Procedure 2004-53 and such other applicable guidance. In addition, the parties intend that, to the extent permissible under the Code, Assignee qualify as a "successor employer" for purposes of receiving credit for the payment of taxes under the Federal Insurance Contribution Act and Federal Unemployment Tax Act by Assignor with respect to the Transferred Employees within the meaning of Sections 3121 and 3306 of the Code. The parties shall cooperate to effectuate the foregoing.

(h) Deferred Compensation Plan. To the extent permitted by law, Assignee shall, or shall cause its Affiliates to, establish deferred compensation accounts under a plan established or maintained by Assignee or one of its Affiliates ("Assignee's DCP"), effective as of the Closing, for each Transferred Employee who is, as of the Closing, a participant in the American Assets, Inc. Executive Deferral Plan VI ("Assignor's DCP"). Assignee shall, or shall cause its Affiliates to credit, effective on the day after the Closing, the applicable account of each such Transferred Employee under Assignee's DCP with an amount equal to the balance of such Transferred Employee's account under Assignor's DCP as of the Closing. At the Closing, Assignor shall, or shall cause its Affiliates to, transfer to Assignee an amount equal to the total contributions made to Assignor's DCP by or on behalf of Transferred Employees. The parties shall cooperate to effectuate the foregoing. Notwithstanding the foregoing, the provisions of this Section 4(h) shall not apply to the extent that such transactions would cause in all or any portion of a Transferred Employee's benefits under Assignor's DCP to become taxable to such Transferred Employee prior to receipt as a result of a failure to comply with the requirements of Section 409A of the Code.

(i) Excluded Liabilities. Except as otherwise specifically set forth in Section 2 above or this Section 4, Assignor shall retain and be responsible for any and all liabilities and obligations that relate to or arise from the employment by Assignor or any of its Affiliates of the Transferred Employees arising prior to the Closing and any liabilities and obligations relating to any present or former employee of Assignor or any of its Affiliates who does not become a Transferred Employee.

(j) Limitations. Assignee shall have no obligation to continue any employment or other service relationship with any Transferred Employee or other service provider. Any employment opportunity offered by Assignor hereunder shall be "at will" and may be terminated by Assignee or any of its Affiliates at any time for any reason. Nothing in this Agreement shall (i) create any third-party rights in any Transferred Employees or any current or former employees or other service providers of Assignor or its Affiliates (or any beneficiaries or dependents of the foregoing); or (ii) obligate Assignor or its Affiliates to adopt, maintain or continue any Assignor Plan or other employee benefit plan or compensatory arrangement at any time.

(k) Definition of Affiliate. For purposes of this Agreement, "Affiliate" shall mean, as to any individual, corporation, partnership, limited liability company, association, trust, unincorporated entity or other legal entity (each a "Person"), any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or under common control with such Person. As used in this definition, "control" (including, with correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

5. Termination. This Agreement may be terminated at any time upon the written agreement of Assignee and Assignor.

6. Capital Contribution. The assignment of the Contributed Assets and the Assumed Liabilities shall be deemed a capital contribution of Assignor.

7. Representations of Assignor. Assignor hereby represents and warrants to Assignee that Assignor is the owner of all right, title and interest in the Contributed Assets, free and clear of all liens and encumbrances (except for the Assumed Liabilities) and that Assignor has the power and authority rightfully to transfer the Contributed Assets and the Assumed Liabilities. The Contributed Assets and the Assumed Liabilities are all of the assets and liabilities materially necessary for the operation of the Business.

8. Consents. The parties shall use commercially reasonable efforts to obtain all materially necessary consents and approvals of governmental authorities and third parties (including lenders) for Assignor to consummate the transactions contemplated hereby.

9. Further Actions. If, at any time prior to or after the Closing, the Assignee shall determine or be advised that any deeds, bills of sale, assignments, assurances or other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Operating Partnership the right, title or interest in or to a Contributed Interests, the Contributor of such Contributed Interest shall execute and deliver all such deeds, bills of sale, assignments and assurances and take and do all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in such Contributed Interests or otherwise to carry out this Agreement.

10. Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

11. Entire Agreement. This Agreement, including, without limitation, the schedules attached hereto, constitute the entire agreement and supersede each prior agreement and understanding, whether written or oral, among the parties regarding the subject matter of this Agreement. This Agreement is not intended to confer any rights or remedies on any person other than the parties hereto.

12. Assignment. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns.

13. Severability. Each provision of this Agreement will be interpreted so as to be effective and valid under applicable law, but if any provision is held invalid, illegal or unenforceable under applicable law in any jurisdiction, then such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been included herein.

14. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, regardless of any laws that might otherwise govern under applicable principles of conflicts of laws thereof.

15. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of both parties hereto; provided that the Assignor may at any time prior to the Closing amend the schedules hereto to reflect changes in the composition of its assets, liabilities and/or employees.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have duly executed this Contribution Agreement as of the date first above written.

ASSIGNOR

AMERICAN ASSETS, INC.,
a California corporation

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: Chief Executive Officer

ASSIGNEE

AMERICAN ASSET TRUST MANAGEMENT, LLC, a Delaware limited liability company

By: AMERICAN ASSETS, INC.,
a California corporation
Its: Sole Member

By: /s/ John W. Chamberlain
Name: John W. Chamberlain
Title: Chief Executive Officer

SCHEDULE A

CONTRIBUTED ASSETS

AAI INVENTORY BEING PLACED IN THE REIT

1. **AAI CORPORATE**
2. **160 KING STREET**
3. **LANDMARK**
4. **DEL MONTE**
5. **ALAMO QUARRY**
6. **WAIKELE**
7. **IMPERIAL BEACH**
8. **SANTA FE PARK**
9. **MARINER'S POINT**

AAI CORPORATE INVENTORY LIST 2010

	Desks	Bookcases	Chairs	Sofas	File Cab.	Monitor	Computer	Printer	Credenza	Tables	TV	Book Shelf	Extra
Ernest	1	3	4	1		2	2	1		2	1	1	1 Lamp
Bloomberg						2	1						
Laptop							1						
Ernest Outside		2											
Ernest Outer Exec.													1 Laptop
Library		7	6		5					2			2 Binding Mach. Storage Shelving 7 Storage Shelfs
Library Back Rm					11								1 Refrigerator 1 Microwave
Bob Barton	1	2	4	1	3	2	2	1 CL			1		3 Wall Shelves 1 Laptop
Bloomberg						2	1						
Laptop							1						
Wendy	1		3		3	2	2	2 1 CL					
JWC	1		7		2	1	1				1		
Reception			6										2 End Tables
Conf. Rm			12							2	1 Conf. Table		
Receptionist		1	1			2	1	1	1				
Copier Area										1			2 Clr copiers 1 Scanner
Fax/Mail Station					2								1 Fax Machine 1 Printer
Lily	1		2		2	1	2						
Monica	1	1	3		1	1	1		1				
Security	1		2		1	1	1						
Hall Prop. Mgmt		1			6								
Jaime	1		1		1	1	1	1					
Mary	1		1		2	1	1						
Russell	1		3		1	1	1		1				
Mark	1	1	3		1	1	1						1 Computer Table
Retail					4								
Shaun/Steve	1		2			1	1	1					

AAI CORPORATE INVENTORY LIST 2010

	Desks	Bookcases	Chairs	Sofas	File Cab.	Monitor	Computer	Printer	Credenza	Tables	TV	Book Shelf	Extra
Type Writer Cube	1		1			1		1					1 Typewriter
Rhonda	1	1	1		5	1	1						
Chris		1	2			1	1						
Jerry	1	2	5		2	2	1			1			Plan Storage 1 Drafting Table
Empty Const. Office	1		3										1 Drafting Table 1 Side Table
Hall			1										
Hall					3								
Patrick	1	1	5	1		1	1	1	1				
Outside Durf's office		3			2								
Jim D	1	1	3		2	1	1	1	1				1 Refrigerator
Patrick Fischer	1		2		1	2	1	1					
Bloomberg							Shared						
Teresa	1	2	3		1	1	1	1					
Lori	1	1	2		1	1	1	1					1 Check Scanner
Adam	1	1	3			2	1	1	1				
Empty Trade office	1		2		1								
Legal Eyal old	1	1	1		1			1					1 Fax Table
Jackie	1	1	3		1	1	1						
Outside Jackie's					3								
Justin old	1		2		1								
KC	1	2	2		1	4	1		1				
CM Admin Filing					8								1 Refrigerator
Back Conf.		1	11					1		2	1 Conf. Table		
Outside conf room		1			4					1			
Shayla	1		1		2	1	1	1					

AAI CORPORATE INVENTORY LIST 2010

	Desks	Bookcases	Chairs	Sofas	File Cab.	Monitor	Computer	Printer	Credenza	Tables	TV	Book Shelf	Extra
Storage	1		2		3								
Sue	1		1		3	1	1	1					
Todd	1		1		2	1	1						
Mary Ann	1		1		3	1	1	1					
Zina	1		1		2	1	1						
Lynne	1	3	5		6	1	1	1	1	1			2 Small Tables 1 Shredder
Cathy	1		1		2	1	1	1					
Work Station	1	1	1		2								
Don	1		1		3	3	2	1					
Don 2 security	1		1			1	4						
Laptop							1						
John	1		1			2	1	1			1		
Diane	1		1		2	1	1	1					
Acct Bullpen					6			3					
Jeff	2	1	2		2		2						Computer Equip.
File Room					11								
Yulia	1		1		3	1	1	1					
Will	1		1		2	1	1						1 Check Machine
Emily	1		1		2	1	1	1					
Jessica	1		1		3	1	1	1					
Wren	1		1		1	1	1						
Brenda	1	4	3		1	2	1	1					
Shufen	1		1		5	1	1	1					1 Shredder
Le	1		1		1	1	1						
Hall		1											
Graham	1		3			2	1	1	1				
Daniel	1		1		3	1	1	1					
Christina	1	1	2			1	1	1	1				
Kitchen			3										2 Microwaves 1 Refrigerator 2 Tables 1 Dishwasher 1 Storage Case

AAI CORPORATE INVENTORY LIST 2010

	Desks	Bookcases	Chairs	Sofas	File Cab.	Monitor	Computer	Printer	Credenza	Tables	TV	Book Shelf	Extra
Copier Room			1							2			1 Copier 1 Shredder 1 Folder 1 Laminator
Fire Safe													6 Large Shelving Units
Dungeon	1	2	3		6								61 Large Shelving Units 1 Storage File Cabinet 1 Wooden plan storage 10’x10’
Totals	54	50	155	3	158	66	61	35	10	14	4	1	

EQUIPMENT INVENTORY LIST

AAI Corporate

Asset or serial number	Item description (make and model)	Location	Condition	Vendor
CHKLH31	PowerEdge 1750	AAI Data Center	Good	Dell
7JKLH31	PowerEdge 1750	AAI Data Center	Good	Dell
	PowerVault 220s	AAI Data Center	Good	Dell
5JRFQ31	Dimension 2450	AAI Main	Good	Dell
	HP Proliant ML 350	AAI Data Center	Good	HP
GJRFQ31	Dimension 2450	AAI Main	Good	Dell
BKLD408	PowerEdge 2450	AAI Main	Good	Dell
62R8691	OptiPlex GX 520	AAI Main	Good	Dell
6D98M21	Dimension 2450	AAI Main	Good	Dell
7S6M031	Dimension 2450	AAI Main	Good	Dell
GC98M21	Dimension 2450	AAI Main	Good	Dell
	Iomega StorCenter Device	AAI Data Center	Good	IoMega

Corporate AAI

EQUIPMENT INVENTORY LIST

LAN/WAN Equipment

Asset or serial number	Item description (make and model)	Location	Condition	Vendor
6NM1451	PowerConnect 3348	AAI Data Center	Good	Dell
JKM1451	PowerConnect 3348	AAI Data Center	Good	Dell
DN1408CJ1S	Cisco SLM 2048	AAI Data Center	Good	Cisco
AEZ08H402 501	Cisco RV082	AAI Main	Good	Cisco
3c:df:1e:b7:78	Cisco SRW2008	AAI Data Center	Good	Cisco
0006B138BB	SonicWall VPN	AAI Data Center	Good	SonicWall

EQUIPMENT INVENTORY LIST

Telephone Room AAI Corporate

Item description (make and model)	Location	Condition	Vendor	Number of Phones
Polycom 501	AAI	Good	Polycom	50
Polycom 301	AAI	Good	Polycom	30
Aastra 4801	AAI	Good	Aastra	2
Trixbox Applic.	AAI Data Center	Good	trixbox	
Dimension 3100 - trixbox server	AAI Main	Good	Dell	

160 King Street
HARDWARE INVENTORY - 9/1/10

Engineering Office		Mfg	Type	Serial #
	1	DELL	Optiplex 320	JC1Y5F1
	1	DELL	Optiplex 320	GC1Y5F1
	1	DELL	Optiplex GX270	G6H7641
	1	CANON	Super G3	UBA38053
	1	HP	DeskJet 5940	CN6391Z1Z2
Security Office				
	1	DELL	Optiplex 320	JXVPCC1
	1	DELL	Dimension 2400	1KPRY41
	1	DELL	Optiplex GX110	3HLGN01
	1	PELCO	DVR 5100	920-7776
	1	BROTHER	HL2070N	U61230K7J904697
Building Systems				
	1	EPSON	C40UX	DKNY353038
	1		EST-1S	13SQ3170149K

LANDMARK BUILDING
HARDWARE INVENTORY - 9/1/10

Management Office		Mfg	Type	Serial #
	2	DELL	Thin Clients	N/A
	1	DELL	Optiplex 300	CTVGJF1
	1	DELL	Power Edge 1800	3LGMN81
	1	CANON	lmageRunner2220i	11199656
	1	SMARTPRO NET	UPS 2200	N/A
Engineering Office				
	1	DELL	Pentium 4	4XSY681
	1	DELL	Pentium 4	0T7570
	1	DELL	Pentium 4	FF98M21
	1	DELL	Precision 610	6B6Y201
	1	HP	LaserJet1020	N/A
Security Office				
	1	HP	LaserJet P1006	VND3B03226
	1	XEROX	Work Center 535	BJIMLA 23257 FAE

Del Monte

PERSONAL PROPERTY LIST

Administrative Area

- HP Laserjet4 Plus printer
- Dell PC with monitor, keyboard, speakers
- 1 telephone for handicap announcer at base of stairs
- 1 Iwatsu Telephone (leased)
- 2 work chairs
- 3 4-drawer lateral file cabinets
- 1 2-drawer lateral file cabinet
- 2 2-drawer wooden file cabinet
- 2 2-tier bookcases
- 1 Couch
- 1 Loveseat
- 1 End Table
- 7 framed photographs
- 1 large wall mounted aerial photograph
- 1 large potted plant
- Richo Copy Machine (Leased from IKON)
- 1 Motorola radio with transmitter box

General Manager's Office

- Desk with return, credenza and shelf
- 1 worktable
- 2 leather chairs
- 1 work chair
- Dell PC
- 1 HP deskjet color printer
- 1 faux plant
- 1 large potted plant
- 1 Iwatsu telephone (leased)
- 1 2-drawer lateral file cabinet
- 1 coatrack
- 1 Motorola radio with charger

Assistant General Managers Office

- 2 3-drawer lateral file cabinets
- 6 framed photographs
- 1 desk with return
- 1 corkboard
- 1 4-tier bookcase
- 1 2-drawer vertical file cabinet

- 2 leather chairs
- 1 work chair
- 1 Iwatsu telephone
- 1 whiteboard
- 1 potted plant

Marketing Office

- 1 2-drawer lateral file cabinet
- 2 desk workstation
- 2 5-tier bookcases
- 1 2-drawer vertical file cabinet
- 1 glass shelf
- 2 corkboards
- 1 Dell PC
- 1 Epson Stylus Color 740 printer
- 1 Iwatsu telephone (leased)
- Framed artwork
- 1 work chair
- 1 Motorola radio with charger

Accounting

- 1 black 2-drawer file and cabinet unit
- 1 leather chair
- 2 work chairs
- 1 desk with return and credenza
- 3 4-drawer vertical file cabinets
- 1 Dell PC
- 1 HP Laserjet 4100 printer
- 1 corkboard
- “Meilink” brand safe
- 1 Iwatsu telephone (leased)
- 1 adding machine

Accounting/Marketing Assistant

- 1 Dell PC
- 1 desk with return and shelf
- 1 work chair
- 1 Iwatsu telephone (leased)
- 1 electric stapler
- 1 Computer Server
- 1 Computer Server stand

DM

PERSONAL PROPERTY LIST

Conference Room

- 1 TV cabinet
- 1 RCA TV/VCR
- 1 conference room table
- 7 leather chairs
- 2 side chairs
- 1 end table
- 1 bookshelf
- 1 wooden portable computer desk
- 1 wall mounted white board cabinet
- 1 3-drawer black file cabinet
- 2 framed aerial photographs
- 1 plant
- 1 Iwatsu telephone (leased)

Break Room

- 1 Iwatsu telephone (leased)
- 1 Pitney Bowes Postage Meter and Machine (leased)
- 1 Sharp microwave
- 1 Farmers Brothers Coffee Maker (borrowed from Farmer Brothers)
- 1 dishwasher
- 1 toaster
- 1 pencil sharpener
- 1 paper cutter
- 1 sink
- 1 wall mounted keybox
- 1 corkboard

Storeroom

- 1 refrigerator
- 1 paper shredder
- 1 folding table with 2 chairs
- 1 first aid kit
- 1 telephone equipment panel
- 1 network server equipment
- Miscellaneous office supplies
- 1 Iwatsu Telephone (leased)

DM

PERSONAL PROPERTY LIST

Maintenance Shop & Office (located next to Waldenbooks at north end of property)

- 5’ Desk w/ left hand return
- 6’ Credenza
- 6’ Work Table
- 4 Drawer Legal File
- 4 Drawer Letter File
- 2 Drawer Legal File
- 3’ Two Shelf Bookcase
- Radio Shack Telephone
- 1 Iwatsu Telephone (leased)
- Radio shack Answering Machine
- Pull Up Chair
- Office Chair
- Dell Dimension XPS T600r CPU w/ Disk Drive & HP CD Writer
- 15” Gateway 2000 Monitor
- Dell Quitkey Keyboard
- Genie Lift Model V-1832
- 2 qty. Cushman Titan Electric Carts 36 Volt Model #898336
- Honda EM3500X Portable Generator
- Dewalt Palm Sander Model #DW411
- Makita 10” Portable Table Saw Model #2703
- Delta 10” Sliding Compound Miter Saw Model #36-240
- Craftsman 10” Five Speed 1/2 hp Drill Press
- Craftsman 6” Dual Grinder l/3hp
- Hotpoint Refridgerator
- 5” Tall Metal Paint Cabinet
- 3 qty. Metal Lockers
- Craftsman Leaf Blower
- Skilsaw 7 1/4” Wonn Saw Model #HD77
- Skilsaw 7 1/4” Circular Saw Model #5275
- Porter Cable Sander Model #505
- Craftsman Portable Air Compressor Model #919.152340
- 6” Bench Vise
- 20’ Fiberglass Ext. Ladder
- 15’ Fiberglass Ext. Ladder
- 25’ Aluminum Ext. Ladder
- 8’ Aluminum Step Ladder
- 8’ Fiberglass Step Ladder
- 6’ Fiberglass Step Ladder
- 6’ Aluminum Step Ladder
- 10’ Wooden Step Ladder

PERSONAL PROPERTY LIST

- 2 qty. 10’ Aluminum Step Ladder
- 12’ Aluminum Step Ladder
- 15’ Aluminum Step Ladder
- 2’ Aluminum Step Ladder
- 2’ Wooden Step Ladder
- 5 qty. Hand Trucks
- 2 qty. MH Construction Lights
- 10 gal. Shop Vac.
- Bosch Hand Grinder Model #0601
- Craftsman Jigsaw 2.5 Amp
- Porter Cable Reciprocating Saw Model #737
- Craftsman 25pc. Combination Wrench Set
- Magna Tap & Die Set Model #95988
- Husky 125pc. Socket & Wrench Set
- Craftsman Power Planer Model #315.277160
- Makita Portable Drill Model #6095D
- Makita Portable Drill Model #6223D
- Milwaukee Heavy Duty 1/2” Hammer Drill
- Misc. Hand Tools
- Wheelbarrow

Security Office

- 3 Desks
- 4 Trash cans
- 14 Chairs
- 2 Tables
- 9 Cork boards
- 2 First Aid boxes
- 3 Fire Extinguishers
- 1 Wheel chair
- 2 Extra black phone
- 1 set of lockers
- 1 Uniform Cabinet
- Patrol scan hand wand set with corresponding software and adhesive points
- Key box
- 2 United States flags
- Site plan maps frames
- 3 filing cabinets
- 2 Small tables
- 1 Refrigerator
- 6 Utility laminated maps
- 1 Cell phone set
- 2 Chalk sticks

DM

PERSONAL PROPERTY LIST

- 1 Camera
- 2 sets of binocular
- 1 Bike with light, backpack, tool set, tire gauge and red light
- 4 Bike helmets
- 2 Green umbrellas
- 1 Coat Rack
- 12 radio holders
- 7 radios with chargers
- 3 radio shoulder microphones
- 1 desktop radio scanner
- 1 mobile radio scanner
- 26 sets of property keys

Other

1 Dayton gas powered emergency generator 1
Masco Sweeper Truck
4 Olympic Trash Compactors (Leased)
1 Muzak exterior music system (Leased)

Alamo Quarry Market Inventory
Office Contents
8-25-08

Kitchen		
Refrigerator	**$ 600.00**	
Kitchen Table	**100.00**	
Kitchen Supplies	**50.00**	
Kitchen Cabinets	**200.00**	
Water Cooler	**140.00**	
First Aid Kit	**60.00**	
Microwave	**80.00**	
CoffeeMaker	**60.00**	
Tall Trash Can	**90.00**	
		$1,380.00
Bathroom		
Cabinets	**150.00**	
Fixtures	**300.00**	
One Trash Can	**70.00**	
		520.00
Copy Area		
Cabinets	**350.00**	
One Paper Cutter	**45.00**	
Fax Machine	**800.00**	
Copy Machine	**2,000.00**	
Supplies and Paper	**200.00**	
Roll around file stand	**125.00**	
		3,520.00
Reception Area		
Waiting Area Table	**80.00**	
Magazine Rack	**60.00**	
Two (2) easels	**20.00**	
Two (2) lobby chairs	**100.00**	
NBO Computer Gift Card Computer	**1,000.00**	
Gift Card Sales Cabinet	**150.00**	
Reception Desk	**175.00**	
Reception Chair	**125.00**	
Cabinets and roll around file	**125.00**	
Three (3) drawer filing cabinet	**400.00**	
		2,235.00

Donna's Office		
Conference Table and 4 Chairs	**200/320**	
High Bookcase	**90.00**	
Small Bookcase	**100.00**	
Lockable file w/roller case	**125.00**	
Desk and Chair	**175/125**	
Computer	**1,000.00**	
Calculator	**140.00**	
Two Drawer File Cabinet	**300.00**	
		2,575.00
Al's Office		
Small round table	**100.00**	
Three (3) Visitor Chairs	**300.00**	
One Large Bookcase	**300.00**	
One Small Bookcase	**100.00**	
Three Drawer File Cabinet	**400.00**	
One Desk	**175.00**	
One Desk Chair	**125.00**	
One Calculator	**140.00**	
One Computer	**1,000.00**	
One Jet Printer	**250.00**	
One Lockable File Cabinet w/rollers	**125.00**	
Coat Rack	**173.00**	
		3,188.00
Office Closet		
Four Five (5) Drawer Cabinets@$600	**2,400.00**	
Two (2) Shelving Units	**432.00**	
Safe	**350.00**	
Office Supplies	**125.00**	
Miscellaneous	**200.00**	
Vacuum Cleaner	**200.00**	**3,707.00**
General		
Telephone System	**2,500.00**	
Five (5) Pictures @$150	**750.00**	
HVAC Unit	**8,000.00**	
		11,250.00

Sixto's Office Area		
One Table	**40.00**	
Three Office Chairs @$30	**90.00**	
Microwave	**80.00**	
Coffee Maker	**60.00**	
Refrigerator	**600.00**	
Bathroom Fixture	**300.00**	
Bathroom Trash Can	**90.00**	
Twelve (12) Employee Lockers	**180.00**	
Telephone	**100.00**	
Radios end Chargers (13)	**13,500.00**	
		15,040.00
Sixto's Office		
One Cabinet	**50.00**	
One Bookcase	**60.00**	
Two Drawer File Cabinet	**110.00**	
One Desk	**175.00**	
One Chair	**125.00**	
One Computer	**1,000.00**	
Two Drawer File Cabinet	**125.00**	
One Copy Machine	**140.00**	
		1,785.00
Maintenance Shop		
Microwave	**90.00**	
Air Compressor	**107.00**	
New Pressure Washer	**1,081.00**	
Old pressure washer (needs repair)	**500.00**	
Pipe Snake Cleanout	**609.00**	
Three hose carts @$64	**192.00**	
Asphalt Repair Plate Machine	**616.00**	
Asphalt Saw	**5,190.00**	
Billy Goat	**1,839.00**	
Two Flammable Chemical Cabinets	**1,276.00**	
Locker	**100.00**	
Shelving Unit	**250.00**	
Wet/Dry Vac	**100.00**	
Emergency Generator	**498.00**	
Brick Saw	**610.00**	
Various equipment/hand tools	**3,000.00**	
Two Golf Carts (2)	**6,200.00**	
Two Power Blowers (3)	**800.00**	
Folding Tables and Chairs	**650.00**	
Tents and Canopies	**500.00**	
Hot Water Heater	**250.00**	
		24,047.00
GRAND TOTAL		**$ 69,247.00**

Waikele Center
Management Office-Inventory

4	Desk chairs
6	Conference Room chairs
2	side chairs
3	Desk (teak)
1	Return (teak)
1	computer desk (teak)
2	3 drawer side file cabinet (teak) under desk
2	2 drawer side file cabinet (teak) under desk
1	lateral 2 drawer file cabinet (teak)
1	conference table
3	Black metal 2 drawer lateral file cabinets
1	Landmark phone system 3 phones
1	Poly Com phone unit
1	fax machine
1	Dell CPU
1	Monitor View Sonic 17 in
1	HP Office Jet 7410 printer copier
1	Sony digital camera
1	shredder
1	5 cubic ft under counter refrigerator
1	microwave oven
1	Golf Cart

IMPERIAL BEACH PERSONAL PROPERTY LIST

ITEM NAME	SERIAL #	QUANTITY
OFFICE SUPPLIES & EQUIPMENT (SHARED)		
Tape Dispensers		5
Staplers		4
scanners-	1509017714008, 1509017714001	2
Calculators	7D269421, 98019006, 3D036084	3
UAW Radios	98872392, 98872810, 98872613, 98872428, 98872920, 98872771 98872486, 9887262	7
Polycom phones	0004F212B568, 0004F215B030 004F212B568, 0004F21078A1	4
Dell Computers (tower, keyboard, mouse, etc)	7664203636693, 00045599533786 CN07N242388422AN4T23, FS65A32CB030227, AB0143120173 CYRWWTQDKMJ6R3T3WmW824RD6 1FY17CE0297F, 0045430020052 00045599533773, CN07242388443100916	4
Computer monitors	79302234NA, GS19HVEY903057Y CN0F50356418056F0XJL CNDG43SH728287H2PLSA00	3
backroom-1 monitor, 2 keyboards, webcctv, 4 modems) Outside (3 cameras)		
HP 1040 Fax	CN4BBAGHHJ	1
Dell 2335dn Copier/printer/scanner	CN0YP8767221101N0220	1
Dell 5100XCN Printer	CN07242388443100916	1
HP Deskjet 970 Cxi Printer	MX9AF1B06B	1
Office Desk		3
Cream leather chairs		2
Office chairs on rollers		3
Blue cloth and wooden chairs		4
2 hole punchers		3
3 hole punchers		3
Heavy duty stapler		1
Postage weight scale		1
Coffee Maker		1
Magic Chef Microwave		1
Haier mini Refrigerator		1
Key Cabinets		4
Phillips FM/CD player radio	KTO10134079245	1
2 drawer metal file cabinets (lg)		4
2 drawer metal file cabinets (sm)		1
Wooden 2 drawer file cabinets		1
Kodak Easy Share Camera	KCGHL84802057	1
Casio Palm Pilots		2
Pagers (Luis, Jesse)		3
Electric Pencil Sharpener		1
Fedders Heater/AC Combo		1
Portable Electric Heaters		2
Electric Postage Weight Scale (does not work)		1
Ink Date Stamp		1

Imperial Beach Address Stamp		1
Imperial Beach Bank Acct. Stamp		1
Invoice Stamp		1
“Received” Stamp		1
“Paid” Stamp		1
“Revised” Stamp		1
“File” Stamp		1
IMPERIAL BEACH - POOLS		
Lounge Chairs		42
Umbrellas		10
Small Table		11
Umbrella at Table outside Office		1
Stock		0
IMPERIAL BEACH - FITNESS ROOM		
Powerline Workout Bench		1
Paramount Universal Unit	9710-040	1
Tectrix Stair Stepper		1
Stationary Bike	R0607550432	1
Treadmill by True	04-77358F	1
Body Solid Univeral Unit		1
Diamondback Treadmill	R0702640378	1
Elliptix Cross Trainer 6600L		1
Body Solid Ab Workout		1
IMPERIAL BEACH-LAUNDRY ROOM		
Whirlpool Washers (6 in each room)		24
Whirlpool Dryers (6 in each room)		24
IMPERIAL BEACH APPLIANCES		
Refrigerators		158
Stainless Steel Refrigerators		2
Ranges		158
Stainless Steel Ranges		2
Stainless Steel Microwaves		2
MAINTENANCE ITEMS (SHARED)		
Kwikset Keying Kit NO. 271		1
Lab Semi-Pro 3 Keying Kit		1
Proto 1-1/16 Deep Socket		1
Leviton Toner #49560		1
Leviton Probe #49561		1
Premier Comm.Tester PT-311	#000510374	1
Workforce 4” Joint Knife		1
Faucet Seat Gauge		1
O’Mally Faucet Reseater		1
Minuteman Floor Machine M13075-00	51303000866	1
Tornado Carpet Dryer	98772 EMM21560	1
Tornado Carpet Dryer	98772 ENM23032	1

IB

Ridgid Shop Vac 120V	04308C0065	1
Honda GX160 Pressure Washer	9406268	1
Pressure Washer Gun		1
Pressure Washer Hose		2
Pressure Washer Broom w/ Extension		1
Westinghouse Power Snake	GJ86	1
Power Snake Basket		3
Gorlitz Power Snake	GSD0009512	1
Stilhl Backpack blower	BR550	1
Skilsaw HD77 Worm Drive		1
Milwaukee & Makita Sawzall		2
Rigid 3/8” & 1/2” drillls		2
DeWalt DW680 Planner		1
Rigid Belt Sander		1
Milwaukee 7” Grinder		1
Ryobi 8” Bench Grinder		1
Makita N9514B Grinder		1
B-Bottle w/ Regulator, Hose & Nozzle		1
4” Cutter for Snake		1
3” Cutter for Snake		1
2” Cutter for Snake		1
Retracting head for Snake		1
6’ Louisville A frame ladder (fiberglass)		1
8’ Louisville A frame ladder (fiberglass)		1
Werner 32’ extension ladder (aluminum)		1
4’ Aluminum Ladder		2
2’ Aluminum ladder		2
Flint Ignitor for Torch		2
Ridgid No. 15 Pipe Cutter		1
Ridgid 104 Pipe Cutter		1
Turbo Torch for MAPP Gas		1
Ideal Pipe Bender		1
Telescopic Floor Scaper		2
General Toilet Auger		1
52” Floor Scraper		1
Bicycle Pump		1
Milwaukee Heat Gun	747-101912	1
Swingline Stapler (Hvy duty)		1
Arrow Stapler (Hvy duty)		1
Irwin Clamp		2
Hacksaw		2
Fish Line (Electrical)		1
Sanitaire Commerical Vacuum Cleaner		2
Nattco Ceramic Tile Cutter (Hand cutter)		1
50’ Heavy Duty Water Hose		1
Dolly		2
Hand ABS Saw		1
Hand Wood Saw		2
Regent Work Light		1
Small Bolt Cutters		1
General D25 Hand Snake		1
Ace 14” Pipe Wrench		1

IB

3” C-Clamp	2
Spring Clamp	2
BrassCraft Tub Drain Remover	1
Adhesive Trowel	1
Marshalltown Finishing Trowel	1
Finishing Trowel	4
Small Knotch Adhesive Trowel	1
Medium Knotch Adhesive Trowel	1
Large Knotch Adhesive Trowel	1
Wood Float	1
Corner Trowel	1
Edger (Cement)	1
Chemical Mask	2
18” Window Squeegee	4
12” Window Squeegee	2
Telescopic Ext. for Window Squeegee	1
Mustang Jetter	1
Push Broom	2
Leaf Rake	1
Digging Bar	2
Olympia Large Bolt Cutters	2
Hoe	2
Post Hole Digger	1
Round Shovel	3
Round Shovel (cut handle)	1
Pruning Tool 24” handle	1
Square Shovel	2
Trench Shovel	1
16lb. Sledge Hammer	1
Snow Shovel	2
Paint Roller Extension	2
Mud Tray	3
Paint Scraper	3
Brush and Roller Cleaner	1
Hammer	2
Short Mini Roller	1
Long Mini Roller	1
Standard Roller	3
4” Roller	2
6” Roller	2
100’ Extension cord	2
4’ Aluminum Ruler	1
Water Meter Key	1
Caulking Gun	3
Foley Belsaw Key Machine	1
BrassCraft Pipe Cutter	1
4” Bench Vise	1
Small Leaf Rake	2
6” Floor Scraper	1
Grout Trowel	1
28’ Extension Ladder	1
Dust Pan	4

IB

50’ Extension Cord		2
Pick		1
50’ Garden Hose with Hose Cart		1
4” Stripper		1
24” Carpenters Square		1
3/16” Driver		1
1/4” Driver		1
5/16” Driver		1
3/8” Driver		1
7/16” Driver		1
Needle Nose Pliers		1
Miter Box		1
Spline Tool		1
Inspection Mirror		1
2 1/2 gallon gas can		1
1 gallon gas can		1
6” Joint Knife		1
1 1/2” Putty Knife		1
3” Putty Knife		1
Rubber Sanding Block		1
Circuit Analyzer		1
Voltage Tester		1
6” Slotted		1
#1 Phillips		1
#2 Phillips		1
4” Slotted		1
Pliers		1
8” Slotted		1

IBG MODEL

40” Fake Plasma Screen TV		1
Lattice Living Room Collection	couch/ chair/ 2 end tables/ coffee table	1
Honey Oak 5-piece Dining room set		1
Queen mattress set		1
Emily Queen Bed		1
Emily 6-Drawer Dresser		1
Emily 5-Drawer Dresser		1
Emily Mirror		1
Emily Nightstand		2
Twin mattress set/ frame		1
Sandstone comforter/sheet set (twin)		1
Lascola comforter/sheet set (queen)		1
Lascola decorative pillow		1
Regular pillows		6
Outdoor metal patio set	table and 2 chairs	1
4 piece dinner place setting (yellow and blue)		1
Decorative vases/ candelholders		4
Fake plant arrangement (purple flowers)		1
Bath towels (variety sizes)		7
Shower curtain (blue and white)		1

CARTS (SHARED)

Yamaha Golf Cart	1
Taylor Dunn Maintenance Mules	2

VEHICLE (SHARED)

1999 Ford Ranger	1

Santa Fe Park Inventory 2010

Office

1	Mr. Coffee Coffe Maker
1	Round Oak Table
6	Oak Swivel Stools
1	15” Flat Screen Monitor for Cameras
1	WebCam Server
4	Routers
2	keyboards
2	Mice
1	20” Flat Screen Monitor
1	Dell Computer
1	Phillips AM/FM Radio CD Player
1	Fellowes Shredder
1	HP Office Jet Pro 8500
1	AT&T 2-line phone with remote cordless phone
1	Casio Calculator
1	Desk Top VTM
1	Credit Card Terminal
1	Security Camera
1	Polaroid Camera
1	Mail Scale
1	Dymo Label Maker
1	2-Way Radio
1	Pencil Sharpener
1	3-hole Punch

TV Room

1	Wide Screen TV
1	Sofa
12	Black Leather Chairs

Laundry Room

12	Washers
12	Dryers
2	Laundry Carts
1	Laundry Sink
1	Itoning Board
1	Iron
1	VTM Machine
1	Slim Jim Trash Receptacle

Apartments

4	Refrigerators
3	Electric Ranges
1	Counter top Cooktop
1	Built in Electric Oven
1	Jenn Aire Counter Top Grill
4	Dishwashers
1	Microwave

Pool Furniture

5	Large Patio Tables
5	Large Umbrellas
24	Chairs
4	Small Tables
12	Lounges
1	Concrete Trash Receptacle

Fitness Room

1	Universal
1	Free Weight Assembly
1	Tread Mill
1	Exercise Bike
1	Stair Stepper

Club Room

1	Pool Table
1	Ping Pong Table
1	Soda Machine
1	Snack Machine
2	Round Tables
8	Resin Chairs
42	Metal folding chairs
10	Folding Tables
1	Refrigerator
2	Electric Ranges
1	Vinyl Pool table cover
1	Wooden Bookcase
3	Framed Pictures
1	Bulletin Board
1	Pool Table Light
1	Slim Jim Trash receptacle

Outside Restrooms

1	Wrought Iron Table
4	Wrought Iron Chairs

1	**Rental Unit-2004 RV Vision Tral**
1	23” Flat Screen TV
1	12” Flat Screen TV
1	Toaster
1	Coffee Pot

Maintenance Tools and Equipment

1	Impression 3-Plus (3428N) Monitor- out of service
1	Computer Keyboard- out of service
1	Profit Management Computer-out of service
1	Dell Computer (9G6DP)-out of service
1	WestBend 40-100 Cup Coffee Maker-N/A
1	Black & Decker 1/2" Electric Drill-N/A
1	10 Amp 7 1/4" Skilsaw-N/A
1	Backpack Leaf Blower
1	A.O. Smith 50' Sewer Snake
1	Drill Motor Emerson 25' Sewer Snake
1	Dollie
1	4-Drawer File Cabinet
1	12 1/2' Extension Ladder
1	6' Ladder
1	5' Ladder
1	Step Stool
1	Ilco Key Making Machine-out of service
1	Quick Kleen Upright Vacuum
1	Wet or Dry Shop Vac
1	Dell Diminsion 3100 Computer
1	Dell monitor
1	Logitec keyboard
1	Microsoft mouse
2	Push brooms
2	Steel rakes
2	Plastic rakes
1	Axe
1	Pick
1	10# sledge hammer
1	35# Makita jack hammer
1	Craftsman 16" chain saw
2	Gas blowers
1	Electric blower
1	12 cu ft Dump cart
1	42" Street Sweeper
1	Wagner airless spray painter
1	Black & Decker hammer drill
1	Dewalt sawsall
1	6" block plane
2	Rubber mallets
1	Phone line tester
3	C clamps
2	Toilet auger
1	Hoover carpet cleaner
2	Disposal wrench
3	Goodyear 50" water hoses
2	Pole saw blades
1	Hand tree saw
1	set nut drivers
1	Backpack sprayer
3	2 gal sprayers
1	20' extension ladder
2	Window brushes
3	Squeegee
2	8' squeegee pole
3	Shovel
2	Scoop Shovel
1	Post hole digger
1	Wheel barrow
2	Bow rakes
2	Hoes
1	Concrete hoe
1	8" Tamper
2	Saw horses
2	Hard hat
2	Safety glasses
1	Small shop vac.
1	Manual stapler
4	Phillips screwdrivers
4	Slotted screwdrivers
2	Multi screwdrivers
2	Electric insulated screwdrivers
1	8 Piece file set
1	3 Piece plier set
2	Multi meters
1	Stanley 40 piece socket set
3	Tape measures
1	Flash light
2	Multi pouch for radios
2	Bow saws
1	Hack saw
2	Hand saw

4	hole saws
12	assorted saw blades
1	Bristle floor brush for buffer
1	Cable crimper
1	3 gal. air tank
6	Hose spray nozzles
2	Sheet metal shears
2	Sets rain gear
1	Grease gun
2	UAW Communication radios
1	3 gal. gas can
24	Assorted drill bits
1	1/4 HP bench grinder
1	10# bench vise
1	Hand hedge trimmer
1	Hand lopper
1	Machetti
1	Hand pruner
1	Shrub rake
1	Portable sewer tank
1	11 Drawer rolling tool cabinet
1	42” Hi speed street sweeper
1	Electric Golf Cart

Ibay 27DS

MARINER'S POINT PERSONAL PROPERTY LIST

ITEM NAME	SERIAL #	QUANTITY
OFFICE SUPPLIES/EQUIPMENT (SHARED)		
Tape Dispensers		5
Staplers		4
scanners-	1509017714008, 1509017714001	2
Calculators	7D269421, 98019006, P23DHV	3
UAW Radios	98872392, 98872810, 98872613, 98872428, 98872920, 98872771 98872486, 9887262	7
Polycom phones	0004F212B568, 0004F215B030 004F212B568, 0004F21078A1	4
Dell Computers (tower, keyboard, mouse, etc)	7664203636693, 00045599533786 CN07N242388422AN4T23, FS65A32CB030227, AB0143120173 CYRWWTQDKMJ6R3T3WmW824RD6 1FY17CE0297F, 0045430020052 00045599533773, CN07242388443100916	4
Computer monitors	79302234NA, GS19HVEY903057Y CN0F50356418056F0XJL CNDG43SH728287H2PLSA00	3
backroom-1 monitor, 2 keyboards, webcctv, 4 modems) Outside (3 cameras)		
HP 1040 Fax	CN4BBAGHHJ	1
Dell 2335dn Copier/printer/scanner	CN0YP8767221101N0220	1
Dell 5100XCN Printer	CN07242388443100916	1
HP Deskjet 970 Cxi Printer	MX9AF1B06B	1
Office Desk		3
Cream leather chairs		2
Office chairs on rollers		3
Blue cloth and wooden chairs		4
2 hole punchers		3
3 hole punchers		3
Heavy duty stapler		1
Postage weight scale		1
Coffee Maker		1
Magic Chef Microwave		1
Haier mini Refrigerator		1
Key Cabinets		4
Phillips FM/CD player radio	KTO10134079245	1
2 drawer metal file cabinets (lg)		4
2 drawer metal file cabinets (sm)		1
Wooden 2 drawer file cabinets		1
Kodak Easy Share Camera	KCGHL84802057	1
Casio Palm Pilots		2
Pagers (Luis, Jesse)		3
Electric Pencil Sharpener		1
Fedders Heater/AC Combo		1
Portable Electric Heaters		2
Electric Postage Weight Scale (does not work)		1
Ink Date Stamp		1

Imperial Beach Address Stamp		1
Imperial Beach Bank Acct. Stamp		1
Invoice Stamp		1
“Received” Stamp		1
“Paid” Stamp		1
“Revised” Stamp		1
“File” Stamp		1
MAINER’S POINT- POOLS		
Lounge chairs		7
Umbrellas		5
small tables		2
chairs		18
umbrellas in stock		0
MARINER’S POINT-LAUNDRY ROOM		
Whirlpool Washers		9
Whirlpool Dryers		9
MARINER’S POINT -FITNESS ROOM		
Welso Pursuit 895i (bike-added by resident)		1
True 700 SOFT System Treadmill	0120161K	1
Batca Fitness Systems USA Cuircuit w/o		3
Workout Bench		1
MARINER’S POINT APPLIANCES		
Refrigerators		87
Stainless Steel Refrigerator		1
Range		87
Stainless Steel Range		1
Microwave		1
Stainless Steel Microwave		1
Dishwashers		88
MAINTENANCE ITEMS (SHARED)		
Kwikset Keying Kit NO.271		1
Lab Semi-Pro 3 Keying Kit		1
Proto 1-1/16 Deep Socket		1
Leviton Toner #49560		1
Leviton Probe #49561		1
Premier Comm.Tester PT-311	#000510374	1
Workforce 4” Joint Knife		1
Faucet Seat Gauge		1
O’Mally Faucet Reseater		1
Minuteman Floor Machine M13075-00	51303000866	1
Tornado Carpet Dryer	98772 EMM21560	1

Tornado Carpet Dryer	98772 ENM23032	1
Ridgid Shop Vac 120V	04308C0065	1
Honda GX160 Pressure Washer	9406268	1
Pressure Washer Gun		1
Pressure Washer Hose		2
Pressure Washer Broom w/ Extension		1
Westinghouse Power Snake	GJ86	1
Power Snake Basket		3
Gorlitz Power Snake	GSD0009512	1
Stilhl Backpack blower	BR550	1
Skilsaw HD77 Worm Drive		1
Milwaukee & Makita Sawzall		2
Rigid 3/8” & 1/2” drillls		2
DeWalt DW680 Planner		1
Rigid Belt Sander		1
Milwaukee 7” Grinder		1
Ryobi 8” Bench Grinder		1
Makita N9514B Grinder		1
B-Bottle w/ Regulator, Hose & Nozzle		1
4” Cutter for Snake		1
3” Cutter for Snake		1
2” Cutter for Snake		1
Retracting head for Snake		1
6’ Louisville A frame ladder (fiberglass)		1
8’ Louisville A frame ladder (fiberglass)		1
Werner 32’ extension ladder (aluminum)		1
4’ Aluminum Ladder		2
2’ Aluminum ladder		2
Flint Ignitor for Torch		2
Ridgid No.15 Pipe Cutter		1
Ridgid 104 Pipe Cutter		1
Turbo Torch for MAPP Gas		1
Ideal Pipe Bender		1
Telescopic Floor Scaper		2
General Toilet Auger		1
52” Floor Scraper		1
Bicycle Pump		1
Milwaukee Heat Gun	747-101912	1
Swingline Stapler (Hvy duty)		1
Arrow Stapler (Hvy duty)		1
Irwin Clamp		2
Hacksaw		2
Fish Line (Electrical)		1
Sanitaire Commerical Vacuum Cleaner		2
Nattco Ceramic Tile Cutter (Hand cutter)		1
50’ Heavy Duty Water Hose		1
Dolly		2
Hand ABS Saw		1
Hand Wood Saw		2
Regent Work Light		1
Small Bolt Cutters		1
General D25 Hand Snake		1

Ace 14” Pipe Wrench	1
3” C-Clamp	2
Spring Clamp	2
BrassCraft Tub Drain Remover	1
Adhesive Trowel	1
Marshalltown Finishing Trowel	1
Finishing Trowel	4
Small Knotch Adhesive Trowel	1
Medium Knotch Adhesive Trowel	1
Large Knotch Adhesive Trowel	1
Wood Float	1
Corner Trowel	1
Edger (Cement)	1
Chemical Mask	2
18” Window Squeegee	4
12” Window Squeegee	2
Telescopic Ext. for Window Squeegee	1
Mustang Jetter	1
Push Broom	2
Leaf Rake	1
Digging Bar	2
Olympia Large Bolt Cutters	2
Hoe	2
Post Hole Digger	1
Round Shovel	3
Round Shovel (cut handle)	1
Pruning Tool 24” handle	1
Square Shovel	2
Trench Shovel	1
16lb. Sledge Hammer	1
Snow Shovel	2
Paint Roller Extension	2
Mud Tray	3
Paint Scraper	3
Brush and Roller Cleaner	1
Hammer	2
Short Mini Roller	1
Long Mini Roller	1
Standard Roller	3
4” Roller	2
6” Roller	2
100’ Extension cord	2
4’ Aluminum Ruler	1
Water Meter Key	1
Caulking Gun	3
Foley Belsaw Key Machine	1
BrassCraft Pipe Cutter	1
4” Bench Vise	1
Small Leaf Rake	2
6” Floor Scraper	1
Grout Trowel	1
28’ Extension Ladder	1

Dust Pan	4
50’ Extension Cord	2
Pick	1
50’ Garden Hose with Hose Cart	1
4” Stripper	1
24” Carpenters Square	1
3/16” Driver	1
1/4” Driver	1
5/16” Driver	1
3/8” Driver	1
7/16” Driver	1
Needle Nose Pliers	1
Miter Box	1
Spline Tool	1
Inspection Mirror	1
2 1/2 gallon gas can	1
1 gallon gas can	1
6” Joint Knife	1
1 1/2” Putty Knife	1
3” Putty Knife	1
Rubber Sanding Block	1
Circuit Analyzer	1
Voltage Tester	1
6” Slotted	1
#1 Phillips	1
#2 Phillips	1
4” Slotted	1
Pliers	1
8” Slotted	1

CARTS (SHARED)

Yamaha Golf Cart	1
Taylor Dunn Maintenance Mules	2

VEHICLE (SHARED)

1999 Ford Ranger	1

AMERICAN ASSETS, INC
Fixed Assets
December 31, 2010

Month: 8

	Fixed Assets				Accumulated Depreciation							
		2010				2010						
Description	Balance 12/31/08	Additions	Deletions	Balance 12/31/08	Balance 12/31/08	Expense	Write-Offs	Balance 12/31/08	12/31/09 Accum Depr.	12/31/10 YTD Deprn	12/31/10 Accum. Depr.	12/31/10 Monthly Depr Exp.
AAI - Remodel	180,072.58			180,072.58	35,998.55	4,617.06		40,615.61	35,998.55	3,078.04	39,076.59	384.76
AAI - Expansion	165,701.81			165,701.81	23,204.01	4,248.59		27,452.60	23,204.01	2,832.39	26,036.40	354.05
AAI-Furniture & Equipment	831,475.76	19,205.77		850,681.53	799,141.42	24,051.30		823,192.72	799,141.42	16,034.20	815,175.62	2,004.28
AAI - Vehicles	65,690.00			65,690.00	36,693.23	12,612.48		49,305.76	36,693.28	8,408.32	45,101.60	1,051.04
	1,242,940.15	19,205.77	0.00	1,262,145.92	895,037.26	45,529.43	0.00	940,566.69	895,037.26	30,352.95	925,390.21	3,794.12

American Assets, Inc.
Federal Depreciation Schedule 2009

Acq. Date		Description	Depreciable Basis	Method	Life	Remaining Basis	Accumulated Depreciation 12/31/08	2009 Rate	2009 Depreciation	Accumulated Depreciation 12/31/09
AAI Remodel										
May	2000	Vongraven - plans	18,814.98	S/L HY	39	14,654	4,161.32	2.564%	482.42	4,643.74
May	2000	Total plan	350.00	S/L HY	39	273	77.40	2.564%	8.97	86.37
May	2000	Carda Construction	47,796.30	S/L HY	39	37,225	10,571.11	2.564%	1,225.50	11,796.61
May	2000	Totalplan	1,235.25	S/L HY	39	962	273.19	2.564%	31.67	304.87
May	2000	Totalplan	756.86	S/L HY	39	589	167.41	2.564%	19.41	186.82
May	2000	Dixieline	25.03	S/L HY	39	20	5.52	2.564%	0.64	6.17
May	2000	Carda Construction	234.00	S/L HY	39	182	51.76	2.564%	6.00	57.76
May	2000	Rancho Santa Fe Tech - MPOE line	84.00	S/L HY	39	65	18.57	2.564%	2.15	20.72
May	2000	Carda Construction	5,326.70	S/L HY	39	4,149	1,178.11	2.564%	136.58	1,314.69
May	2000	Rancho Santa Fe Tech	2,973.00	S/L HY	39	2,315	657.56	2.564%	76.23	733.78
May	2000	Totalplan - cabinet doors	215.93	S/L HY	39	168	47.77	2.564%	5.54	53.31
Aug	2000	Rancho Santa Fe Tech	584.00	S/L HY	39	455	129.15	2.564%	14.97	144.12
Oct	2000	Rancho Santa Fe Tech	687.00	S/L HY	39	535	151.93	2.564%	17.61	169.54
May	2003	Modular Tech Innov-S Attrium wndw of	1,531.88	S/L HY	39	1,311	220.98	2.564%	39.28	260.26
May	2003	Pac Bldg Group-So Attrium window off	10,998.00	S/L HY	39	9,412	1,586.47	2.564%	281.99	1,868.46
May	2003	Rancho S F Tech-S Attrium window off	384.00	S/L HY	39	329	55.40	2.564%	9.85	65.25
Oct	2003	West Coast Cabling-remodel 50%disc	2,617.12	S/L HY	39	2,240	377.51	2.564%	67.10	444.61
Nov	2003	Modular Tech Innov-Office remodel	14,388.88	S/L HY	39	12,313	2,075.59	2.564%	368.93	2,444.52
Nov	2003	Harmon Contracting Company-remode	733.68	S/L HY	39	628	105.83	2.564%	18.81	124.64
Dec	2003	Modular Tech Innov-Office remodel	3,912.01	S/L HY	39	3,348	564.30	2.564%	100.30	664.60
Dec	2003	West Coast Cabling-Office remodel	4,024.03	S/L HY	39	3,444	580.48	2.564%	103.18	683.66
Dec	2003	Howards Rug Company	1,855.00	S/L HY	39	1,587	267.57	2.564%	47.56	315.14
Dec	2003	Pacific Building Group	27,137.33	S/L HY	39	23,223	3,914.55	2.564%	695.80	4,610.35
Jan	2004	Modular Tech Innovations	541.80	S/L MM	39	473	68.89	2.564%	13.89	82.79
Feb	2004	Pacific Building Group	18,839.00	S/L MM	39	16,484	2,355.43	2.564%	483.03	2,838.47
Feb	2004	Door Systems	1,700.00	S/L MM	39	1,487	212.56	2.564%	43.59	256.14
Feb	2004	West Coast Cabling	175.78	S/L MM	39	154	21.98	2.564%	4.51	26.49
Feb	2004	Sunnydale Electric	250.00	S/L MM	39	219	31.26	2.564%	6.41	37.67
Mar	2004	Facility Solutions	4,190.45	S/L MM	39	3,675	514.96	2.564%	107.44	622.40
Mar	2004	West Coast Cabling, Inc.	874.57	S/L MM	39	767	107.47	2.564%	22.42	129.89
Mar	2004	Howards Rug Company	3,891.00	S/L MM	39	3,413	478.17	2.564%	99.77	577.94
May	2004	Lobby Russell Glass	2,685.00	S/L MM	39	2,367	318.46	2.564%	68.84	387.30
May	2004	Lobby - Harmon Contracting	260.00	S/L MM	39	229	30.84	2.564%	6.67	37.51
		Total	180,072.58			148,693	31,379.52		4,617.06	35,996.58

American Assets, Inc.
Federal Depreciation Schedule 2009

Acq. Date		Description	Depreciable Basis	Method	Life	Remaining Basis	Accumulated Depreciation 12/31/08	2009 Rate	2009 Depreciation	Accumulated Depreciation 12/31/09
AAI Expansion										
May	2004	BT ck 1007-1012 AAI Expansion	13,619.16	S/L MM	39	12,003.78	1,615.38	2.564%	349.20	1,964.58
June	2004	BT ck 1013-1016 AAI Expansion	54,374.45	S/L MM	39	48,041.46	6,332.99	2.564%	1,394.16	7,727.15
July	2004	BT ck 1017-1020 AAI Expansion	62,324.30	S/L MM	39	55,198.75	7,125.55	2.564%	1,598.00	8,723.55
Aug	2004	BT ck 1021-1030 AAI Expansion	23,448.62	S/L MM	39	20,817.92	2,630.70	2.564%	601.22	3,231.92
Sept	2004	BT ck 1031 AAI Expansion	492.00	S/L MM	39	437.86	54.14	2.564%	12.61	66.75
Oct	2004	BT ck 1032 AAI Expansion	3,719.77	S/L MM	39	3,318.38	401.39	2.564%	95.37	496.76
Nov	2004	BT ck 1033-1035 AAI Expansion	5,844.35	S/L MM	39	5,226.19	618.16	2.564%	149.85	768.01
Dec	2004	BT ck 1037 AAI Expansion	490.90	S/L MM	39	440.02	50.88	2.564%	12.59	63.47
Jan	2005	BT ck 1038 AAI Expansion	460.00	S/L MM	39	413.30	46.70	2.564%	11.79	58.49
Mar	2005	BT ck 1039 AAI Expansion	300.00	S/L MM	39	270.83	29.17	2.564%	7.69	36.87
Nov	2005	BT ck 1040-1041 AAI Expansion	628.26	S/L MM	39	577.91	50.35	2.564%	16.11	66.46
		Total	165,701.81			146,746.40	18,955.41		4,248.59	23,204.00

AMERICAN ASSETS, INC.
FEDERAL DEPRECIATION SCHEDULE
2009

ACQ. DATE		DESCRIPTION	DEPRECIABLE BASIS	METHOD	LIFE	REMAINING BASIS	ACCUM. DEPREC. @12/31/08	CURRENT DEPREC EXPENSE	ACCUM. DEPREC. 2009	2009 TAX RATE
FURNITURE & FIXTURES										
MAR	2008	Phone system VOIPLINK	26,395.15	MACRS (HY)	5	17,948.70	8,446.45	5,067.87	13,514.32	19.20%
MAR	2008	PC for J Chamberlain	1,110.63	MACRS (HY)	5	755.23	355.40	213.24	568.64	19.20%
MAR	2008	Paper shredder	1,684.67	MACRS (HY)	5	1,145.58	539.09	323.46	862.55	19.20%
		2008 additions	29,190.45			19,849.51	9,340.94	5,604.57	14,945.51	
FEB	2007	Dell Computer equipment	2,168.89	MACRS (HY)	5	1,041.07	1,127.82	416.43	1,544.25	19.20%
MAR	2007	Dell Computer equipment	3,189.32	MACRS (HY)	5	1,530.87	1,658.45	612.35	2,270.80	19.20%
APR	2007	Dell Computer equipment	1,702.12	MACRS (HY)	5	817.02	885.10	326.81	1,211.91	19.20%
MAY	2007	Sharp Imagecom Copier	15,690.52	MACRS (HY)	5	7,531.45	8,159.07	3,012.58	11,171.65	19.20%
JUN	2007	Sharp Color Printer	5,172.00	MACRS (HY)	5	2,482.56	2,689.44	993.02	3,682,46	19.20%
JUN	2007	Binding Machine	5,695.52	MACRS (HY)	5	2,733.85	2,961.67	1,093.54	4,055.21	19.20%
JUN	2007	Dell Computer equipment	1,603.30	MACRS (HY)	5	769.58	833.72	307.83	1,141.55	19.20%
Jul	2007	Dell Computer equipment	6,794.96	MACRS (HY)	5	3,261.58	3,533.38	1,304.63	4,838.01	19.20%
Aug	2007	Dell Computer equipment	2,158.45	MACRS (HY)	6	1,036.06	1,122.39	414.42	1,536.82	19.20%
Nov	2007	Dell Computer equipment	853.17	MACRS (HY)	6	409.52	443.65	163.81	607.46	19.20%
		2007 additions	45,028.25			21,613.56	23,414.69	8,645.42	32,060.11	
JAN	2006	Conference Room Furniture	3,765.42	MACRS (HY)	5	1,084.44	2,680.98	433.78	3,114.75	11.52%
FEB	2006	Monitor + 2 Dell PC's	2,094.44	MACRS (HY)	5	603.20	1,491.24	241.28	1,732.52	11.52%
FEB	2006	4 Leather Chairs	840.41	MACRS (HY)	5	242.04	598.37	96.82	695.19	11.52%
MAY	2006	Conference Room Table	3,294.80	MACRS (HY)	5	948.90	2,345.90	379.56	2,725.46	11.52%
MAY	2006	Dell Projector	886.53	MACRS (HY)	5	255.32	631.21	102.13	733.34	11.52%
OCT	2006	Dell PC's/Laptop	3,334.21	MACRS (HY)	5	960.25	2,373.96	384.10	2,758.06	11.52%
NOV	2006	Shore Quality Office Furniture Suite 363	1,193.66	MACRS (HY)	5	343.78	849.88	137.51	987.39	11.52%
		2006 additions	15,409.47			4,437.93	10,971.54	1,775.17	12,746.71	
JAN	2005	Monitor Printer	686.37	MACRS (HY)	5	118.61	567.76	79.07	646.83	11.52%
JAN	2005	Shore Family Quality - Office Furniture	1,614.06	MACRS (HY)	5	278.91	1,335.15	185.94	1,521.09	11.52%
FEB	2005	Chairs	861.15	MACRS (HY)	5	148.80	712.35	99.20	811.55	11.52%
FEB	2005	Dell - Corp Switch Upgrade	1,461.11	MACRS (HY)	5	252.48	1,208.63	168.32	1,376.95	11.52%
MAR	2005	4 Dell PC's	2,275.69	MACRS (HY)	5	393.24	1,882.45	262.16	2,144.61	11.52%
MAY	2005	Dell - Color Laser printer	1,731.35	MACRS (HY)	5	299.18	1,432.17	199.45	1,631.62	11.52%
MAY	2005	Shore Family Quality - Office Furniture	323.21	MACRS (HY)	5	55.85	267.36	37.23	304.59	11.52%
JUN	2005	2 Dell Flat Panel PC's	661.21	MACRS (HY)	5	114.26	546.95	76.17	623.13	11.52%
JUN	2005	Corporate Express -Office Furniture	502.13	MACRS (HY)	5	86.77	415.36	57.85	473.21	11.52%
JUN	2005	Sharp Copier	17,070.84	MACRS (HY)	5	2,949.84	14,121.00	1,966.56	16,087.56	11.52%
AUG	2005	3 Dell PC's	1,754.02	MACRS (HY)	5	303.10	1,450.92	202.06	1,652.99	11.52%
SEP	2005	Dell Laptop	1,378.13	MACRS (HY)	5	238.14	1,139.99	158.76	1,298.75	11.52%

AMERICAN ASSETS, INC.
FEDERAL DEPRECIATION SCHEDULE
2009

ACQ. DATE		DESCRIPTION	DEPRECIABLE BASIS	METHOD	LIFE	REMAINING BASIS	ACCUM. DEPREC. @ 12/31/08	CURRENT DEPREC EXPENSE	ACCUM. DEPREC. 2009	2009 TAX RATE
SEP	2005	3 Dell PC's	1,680.08	MACRS (HY)	5	290.31	1,389.77	193.55	1,583.32	11.52%
OCT	2005	Chairs	1,508.41	MACRS (HY)	5	260.66	1,247.75	173.77	1,421.52	11.52%
NOV	2005	Converence room Furniture	3,828.47	MACRS (HY)	5	661.56	3,166.91	441.04	3,607.95	11.52%
DEC	2005	11 Dell PC's	5,385.09	MACRS (HY)	5	930.54	4,454.55	620.36	5,074.91	11.52%
		2005 additions	42,721.32			7,382.23	35,339.09	4,921.50	40,260.59	
JAN	2004	Computer Equipment - Scanner, Servers	14,586.05	MACRS (HY)	5	840.15	13,745.90	840.15	14,586.05	5.76%
JAN	2004	Comm Prop - Chairs	570.82	MACRS (HY)	5	32.88	537.94	32.88	570.82	5.76%
FEB	2004	Reception Furniture	395.19	MACRS (HY)	5	22.76	372.43	22.76	395.19	5.76%
FEB	2004	PC Monitors	1,374.95	MACRS (HY)	5	79.20	1,295.75	79.20	1,374.95	5.76%
MAR	2004	Corp PC's	2,129.16	MACRS (HY)	5	122.64	2,006.52	122.64	2,129.16	5.76%
APR	2004	Water heater for Kitchen	950.00	MACRS (HY)	5	54.72	895.28	54.72	950.00	5.76%
APR	2004	Monitor for Front Desk	355.58	MACRS (HY)	5	20.47	335.11	20.47	355.58	5.76%
MAY	2004	7 Printers	5,472.06	MACRS (HY)	5	315.19	5,156.87	315.19	5,472.06	5.76%
JUN	2004	Shore Family Quality - Office Furniture	5,933.39	MACRS (HY)	5	341.76	5,591.63	341.76	5,933.39	5.76%
JUL	2004	Shore Family Quality - Office Furniture	831.58	MACRS (HY)	5	47.89	783.69	47.89	831.58	5.76%
JUL	2004	Modular Technology Innovations-Office Furniture	1,158.31	MACRS (HY)	5	66.72	1,091.59	66.72	1,158.31	5.76%
JUL	2004	Ricoh Fax	2,413.60	MACRS (HY)	5	139.03	2,274.57	139.03	2,413.60	5.76%
JUL	2004	5 Pentium 4 Processors	2,850.02	MACRS (HY)	5	164.17	2,685.85	164.17	2,850.02	5.76%
JUL	2004	5 Dell PC's	3,281.03	MACRS (HY)	5	188.98	3,092.05	188.98	3,281.03	5.76%
JUL	2004	Ergonomic Chairs	326.33	MACRS (HY)	5	18.78	307.55	18.78	326.33	5.76%
AUG	2004	Shore Family Quality - Office Furniture	997.43	MACRS (HY)	5	57.44	939.99	57.44	997.43	5.76%
SEP	2004	Shore Family Quality - Office Furniture	894.29	MACRS (HY)	5	51.52	842.77	51.52	894.29	5.76%
OCT	2004	Dell Flat Panel	340.71	MACRS (HY)	5	19.62	321.09	19.62	340.71	5.76%
OCT	2004	Dell Monitors	1,000.89	MACRS (HY)	5	57.65	943.24	57.65	1,000.89	5.76%
OCT	2004	Dell PC's	2,438.61	MACRS (HY)	5	140.46	2,298.15	140.46	2,438.61	5.76%
NOV	2004	Office Furniture + 2 Office Chairs	1,002.02	MACRS (HY)	5	57.71	944.31	57.71	1,002.02	5.76%
DEC	2004	Dell PC's, Monitor and Cameras	4,598.66	MACRS (HY)	5	264.89	4,333.77	264.89	4,598.66	5.76%
		2004 additions	53,900.68			3,104.64	50,796.04	3,104.64	53,902.88	
MAY	2003	Furniture-B Taylor's office	845.58	MACRS (HY)	5	(0.01)	845.59	(0.01)	845.58	
JULY	2003	Computer Equipment-Server	3,607.71	MACRS (HY)	5	(0.00)	3,607.71	(0.00)	3,607.71	
JULY	2003	PRSNL CC-Software	6,729.16	MACRS (HY)	5	0.00	6,729.16	0.00	6,729.16	
AUG	2003	22 Dell Computers	13,938.54	MACRS (HY)	5	0.00	13,938.54	0.00	13,938.54	
OCT	2003	System Upgrade	953.66	MACRS (HY)	5	0.01	953.65	0.01	953.66	
NOV	2003	Furniture	1,582.28	MACRS (HY)	5	(0.01)	1,582.29	(0.01)	1,582.28	
NOV	2003	Power Washer from AAI Painting SVS 10/01	1,095.41	MACRS (HY)	7	(0.01)	1,095.42	(0.01)	1,095.41	
NOV	2003	2 TW 4500 Gas from AAI Painint SVS 10/01	7,006.64	MACRS (HY)	7	0.00	7,006.64	0.00	7,006.64	
DEC	2003	Prop Furniture	2,488.77	MACRS (HY)	5	0.00	2,488.77	0.00	2,488.77	
DEC	2003	5 Dell Pentium 4 Processor	2,634.49	MACRS (HY)	5	0.00	2,634.49	0.00	2,634.49	
		2003 additions	40,882.24			(0.01)	40,882.25	(0.01)	40,882.24	
MAR	2002	Computer Equipment	2,250.00	MACRS (HY)	5	(0.01)	2,250.01	0.00	2,250.01	
JULY	2002	Server	519.42	MACRS (HY)	5	(0.01)	519.43	0.00	519.43	
OCT	2002	Computer Equipment	3,281.01	MACRS (HY)	5	(0.01)	3,281.02	0.00	3,281.02	
DEC	2002	MailMarshal Software	2,644.15	MACRS (HY)	5	0.00	2,644.15	0.00	2,644.15	
		2002 additions	8,694.58			(0.03)	8,694.61	0.00	8,694.61	

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FEB	2001	INTERNET ROUTER	928.00	MACRS (HY)	5	—	928.00	0.00	928.00	
FEB	2001	SERVER/ANTIVIRUS SOFTWARE	2,900.35	MACRS (HY)	5	—	2,900.35	0.00	2,900.35	
MAR	2001	PRINTERS	1,929.54	MACRS (HY)	5	—	1,929.54	0.00	1,929.54	
MAY	2001	3 PRINTERS	2,046.98	MACRS (HY)	5	—	2,046.98	0.00	2,046.98	
JUN	2001	COMPUTER TOWERS	12,000.00	MACRS (HY)	5	—	12,000.00	0.00	12,000.00	
JUN	2001	FIRESAFE	612.50	MACRS (HY)	5	—	612.50	0.00	612.50	
SEPT	2001	XEROX COPIER	7,980.00	MACRS (HY)	5	—	7,980.00	0.00	7,980.00	
SEPT	2001	COMPUTER MONITORS, SCANNER	1,526.81	MACRS (HY)	5	—	1,526.81	0.00	1,526.81	
OCT	2001	XEROX 265 DC COPIER	3,478.75	MACRS (HY)	5	—	3,478.75	0.00	3,478.75	
DEC	2001	COMPUTER MONITORS	1,670.45	MACRS (HY)	5	—	1,670.45	0.00	1,670.45	
DEC	2001	LAPTOP	955.68	MACRS (HY)	5	—	955.68	0.00	955.68	
		2001 ADDITIONS	36,029.06			—	36,029.06	0.00	36,029.06	
JAN	2000	WALNUT DESK	605.00	MACRS (HY)	5	—	605.00	0.00	605.00	
FEB	2000	TMG-COMPUTER	702.63	MACRS (HY)	5	—	702.63	0.00	702.63	
FEB	2000	DESK/CREDENZA/BOOKCASE	1,248.25	MACRS (HY)	5	—	1,248.25	0.00	1,248.25	
MAR	2000	COMPUTER/VIEWSONIC	3,577.15	MACRS (HY)	5	—	3,577.15	0.00	3,577.15	
MAR	2000	PRINTER	825.11	MACRS (HY)	5	—	825.11	0.00	825.11	
MAR	2000	MONITOR	950.52	MACRS (HY)	5	—	950.52	0.00	950.52	
MAR	2000	LAD. 4 DRAWER FILES	2,648.93	MACRS (HY)	5	—	2,648.93	0.00	2,648.93	
APR	2000	CONFERENCE ROOM TABLE	958.47	MACRS (HY)	5	—	958.47	0.00	958.47	
MAY	2000	COMPUTER CABINET	1,764.64	MACRS (HY)	5	—	1,764.64	0.00	1,764.64	
MAY	2000	PRINTER	768.25	MACRS (HY)	5	—	768.25	0.00	768.25	
JUN	2000	COMPUTERS	7,748.30	MACRS (HY)	5	—	7,748.30	0.00	7,748.30	
JUL	2000	MRI UPGRADE/SOFTWARE/MODEM	8,404.87	MACRS (HY)	5	—	8,404.87	0.00	8,404.87	
JUL	2000	BUDGETRAC LICENSES	1,612.50	MACRS (HY)	5	—	1,612.50	0.00	1,612.50	
JUL	2000	PC & MONITOR	1,408.85	MACRS (HY)	5	—	1,408.85	0.00	1,408.85	
SEPT	2000	PRINTER	826.51	MACRS (HY)	5	—	826.51	0.00	826.51	
SEPT	2000	2 MONITORS, PRINTER	1,983.28	MACRS (HY)	5	—	1,983.28	0.00	1,983.28	
SEPT	2000	SERVER	8,725.60	MACRS (HY)	5	—	8,725.60	0.00	8,725.60	
SEPT	2000	MONITOR	407.29	MACRS (HY)	5	—	407.29	0.00	407.29	
SEPT	2000	AMERICAN INSTITUTE OF ARCHITECTS SOFTWARE	465.00	MACRS (HY)	5	—	465.00	0.00	465.00	
OCT	2000	5 MONITORS, KEYBOARDS	2,341.74	MACRS (HY)	5	—	2,341.74	0.00	2,341.74	
OCT	2000	COMPUTER BACKUP SOFTWARE	2,201.54	MACRS (HY)	5	—	2,201.54	0.00	2,201.54	
OCT	2000	EXTERNAL COMPUTER TAPE DRIVE	6,118.05	MACRS (HY)	5	—	6,118.05	0.00	6,118.05	
OCT	2000	COMPUTER UPGRADES	1,569.34	MACRS (HY)	5	—	1,569.34	0.00	1,569.34	
NOV	2000	MS EX SERVER 5	995.00	MACRS (HY)	5	—	995.00	0.00	995.00	
NOV	2000	COMPUTER KIT	1,164.56	MACRS (HY)	5	—	1,164.56	0.00	1,164.56	
NOV	2000	MS WINDOWS 2000	1,292.95	MACRS (HY)	5	—	1,292.95	0.00	1,292.95	
NOV	2000	PHONE MODEM-PAYROLL	245.00	MACRS (HY)	5	—	245.00	0.00	245.00	
NOV	2000	HP PROCURVE COMPUTER SOFTWARE	1,127.19	MACRS (HY)	5	—	1,127.19	0.00	1,127.19	
NOV	2000	COMPUTER SERVER	1,555.91	MACRS (HY)	5	—	1,555.91	0.00	1,555.91	
NOV	2000	COMPUTER	777.96	MACRS (HY)	5	—	777.96	0.00	777.96	
NOV	2000	COMPUTER	2,455.62	MACRS (HY)	5	—	2,455.62	0.00	2,455.62	
NOV	2000	33 COMPUTER TOWERS	18,667.69	MACRS (HY)	5	—	18,667.69	0.00	18,667.69	
DEC	2000	COMPUTER	1,232.52	MACRS (HY)	5	—	1,232.52	0.00	1,232.52	
		2000 ADDITIONS	87,376.22			0.00	87,376.22	0.00	87,376.22	

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FEB	1999	DCI SYSTEMS TECH SUPPORT	9,586.06	MACRS (HY)	5	—	9,586.06	0.00	9,586.06	
FEB	1999	OFFICE FURNITURE	191.62	MACRS (HY)	5	—	191.62	0.00	191.62	
FEB	1999	SIMM COMPUTER	405.14	MACRS (HY)	5	—	405.14	0.00	405.14	
MAR	1999	DCI SYSTEMS TECH SUPPORT	6,518.75	MACRS (HY)	5	—	6,518.75	0.00	6,518.75	
MAR	1999	FILE CABNET	288.47	MACRS (HY)	5	—	288.47	0.00	288.47	
APR	1999	DCI SYSTEMS TECH SUPPORT	1,221.25	MACRS (HY)	5	—	1,221.25	0.00	1,221.25	
APR	1999	OFFICE CHAIR	269.36	MACRS (HY)	5	—	269.36	0.00	269.36	
APR	1999	FILE CABINET	923.37	MACRS (HY)	5	—	923.37	0.00	923.37	
JUN	1999	OPTIQUEST MONITOR	1,325.45	MACRS (HY)	5	—	1,325.45	0.00	1,325.45	
JUN	1999	CABINET-CONFERENCE ROOM	2,008.00	MACRS (HY)	5	—	2,008.00	0.00	2,008.00	
JUL	1999	BUDGETRAC SERVICE PLAN-SUPPORT	1,612.50	MACRS (HY)	5	—	1,612.50	0.00	1,612.50	
AUG	1999	BNA FIXED ASSETS-SUPPORT	745.39	MACRS (HY)	5	—	745.39	0.00	745.39	
AUG	1999	DCI SYSTEMS TECH SUPPORT	37.50	MACRS (HY)	5	—	37.50	0.00	37.50	
AUG	1999	FAX MACHINE	3,771.25	MACRS (HY)	5	—	3,771.25	0.00	3,771.25	
SEP	1999	ER'S COMPUTER	539.83	MACRS (HY)	5	—	539.83	0.00	539.83	
SEP	1999	PRINTER	694.99	MACRS (HY)	5	—	694.99	0.00	694.99	
SEP	1999	H.RADY TV	226.99	MACRS (HY)	5	—	226.99	0.00	226.99	
OCT	1999	PRINTERS	1,417.99	MACRS (HY)	5	—	1,417.99	0.00	1,417.99	
OCT	1999	PRINTERS-RPM 101	709.00	MACRS (HY)	5	—	709.00	0.00	709.00	
OCT	1999	H.RADY COMPUTER	1,344.72	MACRS (HY)	5	—	1,344.72	0.00	1,344.72	
OCT	1999	DVD ROM KIT	134.69	MACRS (HY)	5	—	134.69	0.00	134.69	
OCT	1999	PRINTER FOR-CONSTR. 103	7,514.49	MACRS (HY)	5	—	7,514.49	0.00	7,514.49	
DEC	1999	CONSTRUCTION FAX MACHINE	696.50	MACRS (HY)	5	—	696.50	0.00	696.50	
DEC	1999	MONITOR	255.96	MACRS (HY)	5	—	255.96	0.00	255.96	
DEC	1999	RECEPTIONIST PRINTER	455.07	MACRS (HY)	5	—	455.07	0.00	455.07	
		1999 ADDITIONS	42,894.34			0.00	42,894.34	0.00	42,894.34	
JAN	1998	COMPUTER	969.70	MACRS (HY)	5	—	969.70	0.00	969.70	
MAY	1998	COMPUTERS	52,818.22	MACRS (HY)	5	—	52,818.22	0.00	52,818.22	
JUN	1998	WORKSTATION	737.50	MACRS (HY)	5	—	737.50	0.00	737.50	
JUN	1998	COMPUTER UPGRADE	36,417.59	MACRS (HY)	5	—	36,417.59	0.00	36,417.59	
JUN	1998	PRINTER	218.07	MACRS (HY)	5	—	218.07	0.00	218.07	
JUL	1998	TRAINING	3,300.00	MACRS (HY)	5	—	3,300.00	0.00	3,300.00	
JUL	1998	COMPUTER UPGRADE	17,877.05	MACRS (HY)	5	—	17,877.05	0.00	17,877.05	
JUL	1998	ENGINEERING	250.00	MACRS (HY)	5	—	250.00	0.00	250.00	
AUG	1998	MRI ACCOUNTING SYSTEM	48,315.78	MACRS (HY)	5	—	48,315.78	0.00	48,315.78	
AUG	1998	NT SERVER KIT	142.00	MACRS (HY)	5	—	142.00	0.00	142.00	
AUG	1998	VIRUS PROTECTION	2,245.51	MACRS (HY)	5	—	2,245.51	0.00	2,245.51	
AUG	1998	PRINTER-LASER JET	809.44	MACRS (HY)	5	—	809.44	0.00	809.44	
SEPT	1998	COMPUTER MEMORY- 64MB	1,540.80	MACRS (HY)	5	—	1,540.80	0.00	1,540.80	
SEPT	1998	PRINTER-LASER JET	1,076.42	MACRS (HY)	5	—	1,076.42	0.00	1,076.42	
NOV	1998	MRI TECH SUPPORT FOR BUDGETRAC	1,612.60	MACRS (HY)	5	—	1,612.50	0.00	1,612.50	
NOV	1998	DCI SYSTEMS TECH SUPPORT	15,000.00	MACRS (HY)	5	—	15,000.00	0.00	15,000.00	
NOV	1998	ETHERNET	87.74	MACRS (HY)	5	—	87.74	0.00	87.74	
NOV	1998	SHELVES	3,142.50	MACRS (HY)	5	—	3,142.50	0.00	3,142.50	
NOV	1998	5 CHAIRS (SUE,SHARON,SHAWN,WENDY,GERI)	1,798.35	MACRS (HY)	5	—	1,798.35	0.00	1,798.35	
DEC	1998	PRINTER	863.99	MACRS (HY)	5	—	863.99	0.00	863.99	
DEC	1998	BNA FIXED ASSET SOFTWARE	1,281.66	MACRS (HY)	5	—	1,281.66	0.00	1,281.66	

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DEC	1998	DCI SYSTEMS TECH SUPPORT	3,187.50	MACRS (HY)	5	—	3,187.50	0.00	3,187.50	
		1998 ADDITIONS	193,692.32			0.00	193,692.32	0.00	193,692.32	
JAN	1997	ELECTRICAL WORK FOR AAI REMODEL	3,183.52	MACRS (HY)	5	(0.00)	3,183.52	0.00	3,183.52	
JAN	1997	60” ROUND CONFERENCE TABLE TOP	456.86	MACRS (HY)	5	—	456.86	0.00	456.86	
FEB	1997	STAMPEDE SOFTWARE FOR MODEM	261.83	MACRS (HY)	5	(0.00)	261.83	0.00	261.83	
FEB	1997	MAPLE COMPUTER DESK	377.07	MACRS (HY)	5	0.00	377.07	0.00	377.07	
FEB	1997	OFFICE FURNITURE -ARENSON OFFICE SUPPLY	538.59	MACRS (HY)	5	—	538.59	0.00	538.59	
MAR	1997	BUDGETRAC ACCOUNTING SOFTWARE	12,362.50	MACRS (HY)	5	—	12,362.50	0.00	12,362.50	
APR	1997	REUPHOLSTERY OF SOFA & CHAIRS	2,664.68	MACRS (HY)	5	—	2,664.68	0.00	2,664.68	
APR	1997	LANDesk VIRUS PROTECTION SOFTWARE	247.04	MACRS (HY)	5	0.00	247.04	0.00	247.04	
APR	1997	PRINTERS-TIG	624.64	MACRS (HY)	5	0.00	624.64	0.00	624.64	
APR	1997	PRINTERS-TIG	600.00	MACRS (HY)	5	—	600.00	0.00	600.00	
APR	1997	MAPLE LATERAL FILE	275.53	MACRS (HY)	5	(0.00)	275.53	0.00	275.53	
APR	1997	MAPLE BOOKCASE	204.03	MACRS (HY)	5	—	204.03	0.00	204.03	
APR	1997	MAPLE TYPEWRITER STAND	153.85	MACRS (HY)	5	—	153.85	0.00	153.85	
MAY	1997	CABINET FOR CHECK FILE	350.00	MACRS (HY)	5	—	350.00	0.00	350.00	
JUN	1997	50% PYMNT ON CUBE CHANGE CONTRACT	466.02	MACRS (HY)	5	—	466.02	0.00	466.02	
JUN	1997	REARRANGE CUBICAL SETUP	676.37	MACRS (HY)	5	0.00	676.37	0.00	676.37	
JUL	1997	WORKSURFACE, 5’x20” TR-R BEIGE	118.41	MACRS (HY)	5	—	118.41	0.00	118.41	
JUL	1997	SHELF 60” TR-R BEIGE	39.66	MACRS (HY)	5	—	39.66	0.00	39.66	
JUL	1997	SHARP COPIER MODEL # SF-2050 sold in August	13,044.00	MACRS (HY)	5	(0.00)	13,044.00	0.00	13,044.00	
			(13,044.00)			—	(13,044.00)	0.00	(13,044.00)	
SEP	1997	PRINTERS-TIG	418.07	MACRS (HY)	5	—	418.07	0.00	418.07	
		1997 ADDITIONS	24,018.67			(0.00)	24,018.67	0.00	24,018.67	
JAN	1996	HP4 PRINTER RAM	230.10	MACRS (HY)	5	—	230.10	0.00	230.10	
JAN	1996	HP5L PRINTER	2,643.30	MACRS (HY)	5	—	2,643.30	0.00	2,643.30	
JAN	1996	DX4-100 COMPUTER SYSTEM	1,390.33	MACRS (HY)	5	—	1,390.33	0.00	1,390.33	
JAN	1996	14.4 FAX MODEM	170.13	MACRS (HY)	5	—	170.13	0.00	170.13	
APR	1996	2 MOTOROLA SP50 RADIOS (AAISS)	831.60	MACRS (HY)	5	—	831.60	0.00	831.60	
APR	1996	OFFICE PRO & WINDOWS 95	1,306.47	MACRS (HY)	5	—	1,306.47	0.00	1,306.47	
JUL	1996	HP 5N LASER PRINTER	3,624.71	MACRS (HY)	5	—	3,624.71	0.00	3,624.71	
JUL	1996	11 HOLGA 4 DRAWER LATERAL FILE CABINETS	6,437.69	MACRS (HY)	5	—	6,437.69	0.00	6,437.69	
JUL	1996	16 STORAGE RACKS (BASEMENT)	2,054.90	MACRS (HY)	5	—	2,054.90	0.00	2,054.90	
AUG	1996	LJ 5L-FS PRINTER	493.50	MACRS (HY)	5	—	493.50	0.00	493.50	
AUG	1996	4 15” .28 10X7NI ES/MPRII PLUG/PLAY	1,456.78	MACRS (HY)	5	—	1,456.78	0.00	1,456.78	
AUG	1996	GUEST CHAIRS - LOBBY	2,580.62	MACRS (HY)	5	—	2,580.62	0.00	2,580.62	
AUG	1996	30 HON MOBILE FILES	3,760.48	MACRS (HY)	5	—	3,760.48	0.00	3,760.48	
SEP	1996	HP 5N LASER PRINTER	1,592.55	MACRS (HY)	5	—	1,592.55	0.00	1,592.55	
SEP	1996	CHAIR-MAHOGANY W/ BLACK LEATHER SEAT	1,212.19	MACRS (HY)	5	—	1,212.19	0.00	1,212.19	
SEP	1996	12 SAMSONITE CHAIRS, CHROME & BURGUNDY	905.10	MACRS (HY)	5	—	905.10	0.00	905.10	
SEP	1996	2 15” DRUM TABLE	711.15	MACRS (HY)	5	—	711.15	0.00	711.15	
SEP	1996	10 HAWORTH GUEST CHAIRS/FERN FABRIC	808.13	MACRS (HY)	5	—	808.13	0.00	808.13	
SEP	1996	ARM ROTARY CHAIR, TRIANGLE FABRIC	382.51	MACRS (HY)	5	—	382.51	0.00	382.51	
SEP	1996	2 ARM ROTARY CHAIR, MELROSE LAGOON FABI	637.88	MACRS (HY)	5	—	637.88	0.00	637.88	
SEP	1996	60” CONFERENCE TABLE, BEIGE	323.25	MACRS (HY)	5	—	323.25	0.00	323.25	
SEP	1996	MAHOGANY DESK, CREDENZA, FILING CABINET	2,018.43	MACRS (HY)	5	—	2,018.43	0.00	2,018.43	

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OCT	1996	HOLGA 4 DRAWER LATERAL FILE CABINET	585.24	MACRS (HY)	5	—	585.24	0.00	585.24	
OCT	1996	HOLGA 2 DRAWER LATERAL FILE CABINET	344.80	MACRS (HY)	5	—	344.80	0.00	344.80	
OCT	1996	CABINETRY IN SUPPLY ROOM	2,750.00	MACRS (HY)	5	—	2,750.00	0.00	2,750.00	
OCT	1996	HAWORTH WORKSURFACES, PENCIL DRAWERS	2,309.36	MACRS (HY)	5	—	2,309.36	0.00	2,309.36	
OCT	1996	WHIRLPOOL DISHWASHER	328.95	MACRS (HY)	5	—	328.95	0.00	328.95	
OCT	1996	3 SKYLINE USER LICENSES	3,232.50	MACRS (HY)	5	—	3,232.50	0.00	3,232.50	
NOV	1996	12 SAMSONITE CHAIRS, CHROME & BURGUNDY	905.10	MACRS (HY)	5	—	905.10	0.00	905.10	
NOV	1996	LASERJET 6P PRINTER	839.37	MACRS (HY)	5	—	839.37	0.00	839.37	
NOV	1996	DESKJET 820CXI WINDOWS PRINTER	422.38	MACRS (HY)	5	—	422.38	0.00	422.38	
NOV	1996	TOTAL PLAN 36” ROUND TABLE	953.59	MACRS (HY)	5	—	953.59	0.00	953.59	
NOV	1996	MICROAGE ACCESS LICENSES	340.49	MACRS (HY)	5	—	340.49	0.00	340.49	
DEC	1996	NETWORK CABELING	16,693.35	MACRS (HY)	5	—	16,693.35	0.00	16,693.35	
DEC	1996	COMPUTER SYSTEM INSTALLATION	9,537.50	MACRS (HY)	5	—	9,537.50	0.00	9,537.50	
		1996 ADDITIONS	74,814.43			0.00	74,814.43	0.00	74,814.43	
FEB	1995	MICR UPGRADE-SKYLINE	1,920.65	MACRS (HY)	5	—	1,920.65	0.00	1,920.65	
FEB	1995	HP-4 LASER PRINTER	1,785.06	MACRS (HY)	5	—	1,785.06	0.00	1,785.06	
APR	1995	2 LATERAL FILE CABINETS	1,367.46	MACRS (HY)	5	—	1,367.46	0.00	1,367.46	
JULY	1995	2 14.4 MODEMS	536.88	MACRS (HY)	5	—	536.88	0.00	536.88	
AUG	1995	SHARP 60 CPM COPIER	17,195.97	MACRS (HY)	5	—	17,195.97	0.00	17,195.97	
		1995 ADDITIONS	22,806.02			0.00	22,806.02	0.00	22,806.02	
JAN	1994	EPSON FX 870 PRINTER	300.63	MACRS (HY)	5	(0.00)	300.63	0.00	300.63	
JAN	1994	EPSON FX 870 PRINTER	300.62	MACRS (HY)	5	0.00	300.62	0.00	300.62	
APR	1994	AST FILE SERVER	5,484.82	MACRS (HY)	5	0.00	5,484.82	0.00	5,484.82	
APR	1994	NETWARE 3.21	1,095.68	MACRS (HY)	5	0.00	1,095.68	0.00	1,095.68	
JUN	1994	SKYLINE MULTI USERS LICENSE	1,064.65	MACRS (HY)	5	0.00	1,064.65	0.00	1,064.65	
AUG	1994	TRAILER	500.00	MACRS (HY)	5	0.00	500.00	0.00	500.00	
OCT	1994	HANDHELD MOBILE PHONE	496.42	MACRS (HY)	5	0.00	496.42	0.00	496.42	
		1994 ADDITIONS	9,242.82			(0.00)	9,242.82	0.00	9,242.82	
JAN	1993	HP DESKJET 500 PRINTER	397.60	MACRS (HY)	5	0.00	397.60	0.00	397.60	
JAN	1993	7406 DIGITAL TELEPHONE	448.00	MACRS (HY)	5	0.00	448.00	0.00	448.00	
JAN	1993	CELLULAR PHONE (AUSTIN)	346.96	MACRS (HY)	5	0.00	346.96	0.00	346.96	
FEB	1993	HP DESKJET 500 PRINTER	406.22	MACRS (HY)	5	0.00	406.22	0.00	406.22	
MAR	1993	470KM 115V BINDING MACHINE	1,838.62	MACRS (HY)	5	0.00	1,838.62	0.00	1,838.62	
MAR	1993	7303 HYBRID TELEPHONE	225.00	MACRS (HY)	5	0.00	225.00	0.00	225.00	
MAR	1993	HP DESKJET 500 PRINTER	402.99	MACRS (HY)	5	0.00	402.99	0.00	402.99	
MAR	1993	NEC 770 FACSIMILE	3,448.00	MACRS (HY)	5	0.00	3,448.00	0.00	3,448.00	
APR	1993	8 COMPUTER MONITOR GLARE SCREENS	378.57	MACRS (HY)	5	0.00	378.57	0.00	378.57	
APR	1993	TRANSCRIBER	283.38	MACRS (HY)	5	0.00	283.38	0.00	283.38	
MAY	1993	CELLULAR PHONE (ANDRADE)	495.65	MACRS (HY)	5	0.00	495.65	0.00	495.65	
JUN	1993	EPSON FX870 PRINTER	311.40	MACRS (HY)	5	0.00	311.40	0.00	311.40	
JUL	1993	5 7303 HYBRID TELEPHONES (ACCTG)	808.12	MACRS (HY)	5	0.00	808.12	0.00	808.12	
SEP	1993	EPSON FX870 PRINTER (KREPAK)	316.79	MACRS (HY)	5	0.00	316.79	0.00	316.79	
SEP	1993	HP DESKJET 500 PRINTER (KELLY)	316.79	MACRS (HY)	5	0.00	316.79	0.00	316.79	
FEB	1993	GREY J-JE CAPRI CHAIR	610.43	MACRS (HY)	7	0.00	610.43	0.00	610.43	
MAR	1993	2 PLAN HOLDERS	1,076.24	MACRS (HY)	7	0.00	1,076.24	0.00	1,076.24	

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ACQ. DATE		DESCRIPTION	DEPRECIABLE BASIS	METHOD	LIFE	REMAINING BASIS	ACCUM. DEPREC. @ 12/31/08	CURRENT DEPREC EXPENSE	ACCUM. DEPREC. 2009	2009 TAX RATE
APR	1993	BLACK 4 DRAWER LEGAL FILE CABINET	365.27	MACRS (HY)	7	0.00	365.27	0.00	365.27	
APR	1993	SAND 5 DRAWER FLAT FILE CABINET	501.15	MACRS (HY)	7	0.00	501.15	0.00	501.15	
APR	1993	2 LATERAL FILES	399.87	MACRS (HY)	7	0.00	399.87	0.00	399.87	
APR	1993	CONFERENCE ROOM TABLE	397.60	MACRS (HY)	7	0.00	397.60	0.00	397.60	
JUN	1993	6 HAWORTH CHAIRS W/ARMS (CONF ROOM)	2,172.24	MACRS (HY)	7	0.00	2,172.24	0.00	2,172.24	
JUL	1993	PUTTY 4 DRAWER LATERAL FILE	608.73	MACRS (HY)	7	0.01	608.72	0.01	608.73	
		1993 ADDITIONS	16,555.62			0.01	16,555.61	0.01	16,555.62	
FEB	1992	CELLULAR PHONE (INSLEE)	216.49	MACRS (HY)	5	0.00	216.49	0.00	216.49	
MAR	1992	CELLULAR PHONE (CHAMBERLAIN)	346.79	MACRS (HY)	5	0.00	346.79	0.00	346.79	
MAR	1992	CALCULATOR	64.97	MACRS (HY)	5	0.00	64.97	0.00	64.97	
APR	1992	CELLULAR PHONE (KRUL)	364.00	MACRS (HY)	5	0.00	364.00	0.00	364.00	
MAY	1992	SPEAKER PHONE	170.00	MACRS (HY)	5	0.00	170.00	0.00	170.00	
JUN	1992	CAMERA	125.10	MACRS (HY)	5	0.00	125.10	0.00	125.10	
AUG	1992	HP DESKJET 500 PRINTER	419.15	MACRS (HY)	5	0.00	419.15	0.00	419.15	
AUG	1992	SOFTWARE, COLLECTIONS PROGRAM	6,540.98	MACRS (HY)	5	0.00	6,540.98	0.00	6,540.98	
NOV	1992	HP DESKJET 500 PRINTER	418.61	MACRS (HY)	5	0.00	418.61	0.00	418.61	
NOV	1992	HP DESKJET 500 PRINTER (HALFERTY)	418.61	MACRS (HY)	5	0.00	418.61	0.00	418.61	
FEB	1992	HAWORTH OFFICE CHAIR	412.26	MACRS (HY)	7	0.00	412.26	0.00	412.26	
APR	1992	LEGAL FILE CABINET	172.96	MACRS (HY)	7	0.00	172.96	0.00	172.96	
JUN	1992	RECEPTION AREA FURNITURE	1,868.33	MACRS (HY)	7	0.00	1,868.33	0.00	1,868.33	
JUL	1992	RECEPTION AREA FURNITURE	360.62	MACRS (HY)	7	0.00	360.62	0.00	360.62	
AUG	1992	TWO 4-DRAWER LEGAL FILES	364.02	MACRS (HY)	7	0.00	364.02	0.00	364.02	
SEP	1992	TWO 4-DRAWER LEGAL FILES	364.02	MACRS (HY)	7	0.00	364.02	0.00	364.02	
OCT	1992	FILE CABINET (ACCTG)	619.56	MACRS (HY)	7	0.00	619.56	0.00	619.56	
NOV	1992	TACK BOARD (ACCTG)	101.29	MACRS (HY)	7	0.00	101.29	0.00	101.29	
		1992 ADDITIONS	13,347.76			0.00	13,347.76	0.00	13,347.76	
JAN	1991	PLAN HOLDERS	322.40	MACRS	7	0.00	322.40	0.00	322.40	
APR	1991	OFFICE CHAIR	267.49	MACRS	7	0.00	267.49	0.00	267.49	
APR	1991	SHARP 9400 COPIER	10,421.80	MACRS	7	0.00	10,421.80	0.00	10,421.80	
JUN	1991	PITNEY BOWES POSTAGE MACHINE	3,108.35	MACRS	7	0.00	3,108.35	0.00	3,108.35	
JUL	1991	PLAN HOLDER	1,350.45	MACRS	7	0.00	1,350.45	0.00	1,350.45	
OCT	1991	SOFTA SOFTWARE UPDATE	1,131.21	MACRS	7	0.00	1,131.21	0.00	1,131.21	
		1991 ADDITIONS	16,601.70			0.00	16,601.70	0.00	16,601.70	
MAR	1990	2 DICTAPHONES	428.89	MACRS	7	0.00	428.89	0.00	428.89	
APR	1990	EUREKA VACUUM	152.23	MACRS	7	0.00	152.23	0.00	152.23	
APR	1990	2 OFFICE CHAIRS	321.73	MACRS	7	0.00	321.73	0.00	321.73	
APR	1990	SKYLINE INSTALLATION	756.90	MACRS	7	0.00	756.90	0.00	756.90	
MAY	1990	EPSON 2550 PRINTER	1,616.25	MACRS	7	0.00	1,616.25	0.00	1,616.25	
JUN	1990	DRAFTING TABLE	421.20	MACRS	7	0.00	421.20	0.00	421.20	
JUL	1990	OFFICE CHAIR	268.07	MACRS	7	0.00	268.07	0.00	268.07	
AUG	1990	SKYLINE MULTIUSER UPGRADE -10	745.38	MACRS	7	0.00	745.38	0.00	745.38	
SEP	1990	HP DESKJET 500 PRINTER	573.79	MACRS	7	0.00	573.79	0.00	573.79	
SEP	1990	BLUEPRINT RACK	682.11	MACRS	7	0.00	682.11	0.00	682.11	
OCT	1990	DEX 730 FAX	3,641.14	MACRS	7	0.00	3,641.14	0.00	3,641.14	
OCT	1990	BINDING MACHINE	301.86	MACRS	7	0.00	301.86	0.00	301.86	

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ACQ. DATE		DESCRIPTION	DEPRECIABLE BASIS	METHOD	LIFE	REMAINING BASIS	ACCUM. DEPREC. @ 12/31/08	CURRENT DEPREC EXPENSE	ACCUM. DEPREC. 2009	2009 TAX RATE
OCT	1990	SHELVES FOR MBC STORAGE	1,191.93	MACRS	7	0.00	1,191.93	0.00	1,191.93	
OCT	1990	2 LATERAL FILES	1,063.81	MACRS	7	0.00	1,063.81	0.00	1,063.81	
NOV	1990	DICTAPHONE	224.40	MACRS	7	0.00	224.40	0.00	224.40	
		1990 ADDITIONS	12,389.69			0.00	12,389.69	0.00	12,389.69	
JAN	1989	CELLULAR PHONE	959.95	MACRS	7	0.00	959.95	0.00	959.95	
JAN	1989	MOTOROLA PHONE (MOBILE)	400.00	MACRS	7	0.00	400.00	0.00	400.00	
FEB	1989	CELLULAR PHONE	959.95	MACRS	7	0.00	959.95	0.00	959.95	
APR	1989	CELLULAR PHONE	781.10	MACRS	7	0.00	781.10	0.00	781.10	
SEP	1989	4 DRAWER LEGAL FILE	760.03	MACRS	7	0.00	760.03	0.00	760.03	
OCT	1989	SKYLINE SOFTWARE	10,000.00	MACRS	7	0.00	10,000.00	0.00	10,000.00	
DEC	1989	HAWORTH PANELS - NEW WORK AREA	5,237.14	MACRS	7	0.00	5,237.14	0.00	5,237.14	
DEC	1989	7 DRAWER & 10 DRAWER FLAT FILES	1,867.18	MACRS	7	0.00	1,867.18	0.00	1,867.18	
		1989 ADDITIONS	20,965.35			0.00	20,965.35	0.00	20,965.35	
MAY	1988	4 DRAWER LEGAL FILE	224.31	MACRS	7	0.00	224.31	0.00	224.31	
JUL	1988	CELLULAR PHONE (GARRETT)	520.91	MACRS	7	0.00	520.91	0.00	520.91	
		1988 ADDITIONS	745.22			0.00	745.22	0.00	745.22	
FEB	1987	DSK,3CHRS,CREDENZA,2BOOKSHLV	1,214.50	MACRS	7	0.00	1,214.50	0.00	1,214.50	
FEB	1987	MEDIUM OAK LATERAL FILE	386.90	MACRS	7	0.00	386.90	0.00	386.90	
FEB	1987	PANASONIC TYPEWRITER SER #37248	895.70	MACRS	7	0.00	895.70	0.00	895.70	
NOV	1987	TWO DRAWER LATERAL FILE	161.74	MACRS	7	0.00	161.74	0.00	161.74	
		1987 ADDITIONS	2,658.84			0.00	2,658.84	0.00	2,658.84	
FEB	1986	1 HAWORTH ARM ROTARY CHAIR	290.02	ACRS	5	0.00	290.02	0.00	290.02	
MAR	1986	2 LATERAL FILES	317.89	ACRS	5	0.00	317.89	0.00	317.89	
APR	1986	5 GLASS TABLETOPS	381.00	ACRS	5	0.00	381.00	0.00	381.00	
APR	1986	DRAFTING STOOL	212.00	ACRS	5	0.00	212.00	0.00	212.00	
APR	1986	SOFA	1,086.50	ACRS	5	0.00	1,086.50	0.00	1,086.50	
APR	1986	CLUB CHAIR	371.00	ACRS	5	0.00	371.00	0.00	371.00	
APR	1986	SECRETARIAL CHAIR	238.50	ACRS	5	0.00	238.50	0.00	238.50	
APR	1986	EXECUTIVE DESK	2,067.00	ACRS	5	0.00	2,067.00	0.00	2,067.00	
APR	1986	CREDENZA IN OIL WALNUT	1,680.10	ACRS	5	0.00	1,680.10	0.00	1,680.10	
APR	1986	CARREL IN OIL WALNUT	673.10	ACRS	5	0.00	673.10	0.00	673.10	
APR	1986	TABLE IN OIL WALNUT	662.50	ACRS	5	0.00	662.50	0.00	662.50	
APR	1986	TV CONSOLE CABINET	795.00	ACRS	5	0.00	795.00	0.00	795.00	
APR	1986	SOFA	1,378.00	ACRS	5	0.00	1,378.00	0.00	1,378.00	
APR	1986	2 LAMP TABLES	530.00	ACRS	5	0.00	530.00	0.00	530.00	
APR	1986	2 DECORATOR LAMPS	265.00	ACRS	5	0.00	265.00	0.00	265.00	
APR	1986	EXEC. CHAIR (LEATHER W/FABRIC)	1,033.50	ACRS	5	0.00	1,033.50	0.00	1,033.50	
APR	1986	6 SIDE ARM CHAIRS	2,862.00	ACRS	5	0.00	2,862.00	0.00	2,862.00	
APR	1986	LATERAL FILE	245.92	ACRS	5	0.00	245.92	0.00	245.92	
APR	1986	OAK CORNER TABLE	122.96	ACRS	5	0.00	122.96	0.00	122.96	
MAY	1986	HAWORTH TASK CHAIR	233.03	ACRS	5	0.00	233.03	0.00	233.03	
MAY	1986	CABINET	240.00	ACRS	5	0.00	240.00	0.00	240.00	
JUN	1986	2 CLIENT CHAIRS (ALLEN'S OFFICE)	485.48	ACRS	5	0.00	485.48	0.00	485.48	
JUN	1986	STENO CHAIR	233.15	ACRS	5	0.00	233.15	0.00	233.15	

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ACQ. DATE		DESCRIPTION	DEPRECIABLE BASIS	METHOD	LIFE	REMAINING BASIS	ACCUM. DEPREC. @ 12/31/08	CURRENT DEPREC EXPENSE	ACCUM. DEPREC. 2009	2009 TAX RATE
JUL	1986	WALNUT VERTICAL FILE	124.02	ACRS	5	0.00	124.02	0.00	124.02	
JUL	1986	30” WALNUT BOOKCASE	47.65	ACRS	5	0.00	47.65	0.00	47.65	
JUL	1986	OAK LATERAL FILE	246.98	ACRS	5	0.00	246.98	0.00	246.98	
JUL	1986	HAWORTH ARM ROTARY CHAIR	301.72	ACRS	5	0.00	301.72	0.00	301.72	
NOV	1986	4 DRAWER BLACK LATERAL FILE	200.34	ACRS	5	0.00	200.34	0.00	200.34	
		1986 ADDITIONS	17,324.36			0.00	17,324.36	0.00	17,324.36	
	1984	G E TELEVISION	243.79	ACRS	5	0.00	243.79	0.00	243.79	
	1985	BOOKCASE	117.66	ACRS	5	0.00	117.66	0.00	117.66	
	1985	4 TWO-DRAWER LATERAL FILES	983.68	ACRS	5	0.00	983.68	0.00	983.68	
	1985	2 FILE CABINETS	283.87	ACRS	5	0.00	283.87	0.00	283.87	
	1985	1 TWO-DRAWER VERTICAL FILE	143.10	ACRS	5	0.00	143.10	0.00	143.10	
		1984-1985 ADDITIONS	1,772.10			0.00	1,772.10	0.00	1,772.10	
		TOTAL FURNITURE & FIXTURES	829,061.50			56,387.84#	772,673.67	24,051.30	796,727.16	
	1978	IBM CORRECTING SELECTRIC	1,017.60	SL	10	0.00	1,017.60	0.00	1,017.60	
	1978	FILING CABINET, BOOK CASE	679.15	SL	10	0.00	679.15	0.00	679.15	
	1978	SMALL REFRIGERATOR	146.11	SL	10	0.00	146.11	0.00	146.11	
	1979	FILE CABINET	136.85	SL	10	0.00	136.85	0.00	136.85	
	1980	REFRIGERATOR	434.55	SL	10	0.00	434.55	0.00	434.55	
		PRE-ACRS FURNITURE & FIXTURES	2,414.26			0.00	2,414.26	0.00	2,414.26	
		TOTAL FURNITURE & FIXTURES	831,475.76			56,387.84#	775,087.93#	24,051.30	799,141.42	
VEHICLES										
NOV	2007	2008 LS 460 Lexus (E.Rady) vin JTHBL46F8850588	65,690.00	MACRS (HY)	5	41,609.20	24,080.80	12,612.48	36,693.28	19.20%
		SUBTOTALVEHICLES	65,690.00			41,609.20	24,080.80	12,612.48	36,693.28	
		TOTAL VEHICLES	65,690.00			41,609.20	24,080.80	12,612.48	36,693.28	

Management Agreements

1. Master Management Agreement by and between Alamo Retail, Inc. and American Assets, Inc., dated as of December 3, 2003
2. Sub-Management Agreement by and between Reata Property Management, Inc. and American Assets, Inc., dated as of January 20, 2004; as amended by that First Amendment to Sub-Management Agreement by and between Reata Property Management, Inc. and American Assets, Inc., dated as of January 4, 2010
3. Master Management Agreement by and between Carmel Country Plaza, L.P. and American Assets, Inc., dated as of November 24, 1997
4. Master Management Agreement by and between Hero Retail, Inc. and American Assets, Inc., dated as of March 31, 2003
5. Master Management Agreement by and between Pacific National City Holdings, L.P. and American Assets, Inc., dated as of January 1, 1998
6. Master Management Agreement by and between Pacific Solana Beach Holdings, L.P. and American Assets, Inc., dated as of January 1, 1998
7. Management Agreement by and between Rancho Carmel Plaza, a California limited partnership, and American Assets Management Services, Inc., dated as of June 30, 1992
8. Assignment and Assumption of Management Agreement by and between American Assets Management Services, Inc. and American Assets, Inc., dated as of August 26, 2004
9. Property Management Agreement for Solana Beach Towne Centres I & II, by and among Pacific Towne Centre Assets, Inc., Plaza West, Ltd., for itself and on behalf of Stuart C. Gildred, Trustee under the Trust Agreement dated August 18, 1976, and American Assets, Inc., dated as of March 1, 1997; as amended by that First Amendment to Property Management Agreement by and among Solana Beach Towne Centres Investments, L.P., successor in interest to Pacific Towne Centre Assets, Inc., Plaza West, Ltd., for itself and Stuart C. Gildred, and American Assets, Inc., dated as of December 1, 1997
10. Property Management Agreement for Solana Beach Towne Centres III & IV, by and among Pacific Towne Centre Assets, Inc., Propco, L.P. and American Assets, Inc., dated as of March 1, 1997; as amended by that First Amendment to Property Management Agreement by and among Solana Beach Towne Centres Investments, L.P., successor in interest to Pacific Towne Centre Assets, Inc., Propco, L.P. and American Assets, Inc., dated as of December 1, 1997
11. Master Management Agreement by and between Pacific Waikiki Holdings, L.P. and American Assets, Inc., dated as of March 30, 2005

12. Master Management Agreement by and among Del Monte – DMCH, LLC, Del Monte – DMSJH, LLC, Del Monte – KMBC, LLC, Del Monte – POH, LLC and American Assets, Inc., dated as of June 30, 2005

13. Master Management Agreement by and among Waikele Reserve West Holdings, LLC, Waikele 101 Sorrento, LLC, Waikele 225 Sorrento, LLC, Waikele 101 Stonecrest, LLC, Waikele 225 Stonecrest, LLC and American Assets, Inc., dated as of December 29, 2005

14. Master Management Agreement by and between ICW Plaza Holdings, LLC and American Assets, Inc., dated as of January 31, 2007

15. Master Management Agreement by and between ICW Valencia, L.P. and American Assets, Inc., dated as of July 15, 1998

16. Assignment of Management Agreement by and among ICW Valencia, L.P., ICW Valencia Holdings, LLC and American Assets, Inc., dated as of August 19, 2002

17. Master Management Agreement by and between Pacific North Court Holdings, L.P. and American Assets, Inc., dated as of March 20, 1998; as amended by that First Amendment to Master Management Agreement by and between Pacific North Court Holdings, L.P. and American Assets, Inc., dated as of May 1, 2009

18. Master Management Agreement by and between Pacific South Court Holdings, L.P. and American Assets, Inc., dated as of March 20, 1998

19. Master Management Agreement by and between Pacific Torrey Daycare Holdings, L.P. and American Assets, Inc., dated as of March 26, 1999; as amended by that First Amendment to Master Management Agreement by and between Pacific Torrey Daycare Holdings, L.P. and American Assets, Inc., dated as of May 1, 2009

20. Master Management Agreement by and between Pacific VC1 Holdings, L.P. and American Assets, Inc., dated as of August 15, 2000; as amended by that First Amendment to Master Management Agreement by and between Pacific VC1 Holdings, L.P. and American Assets, Inc., dated as of September 1, 2009

21. Master Management Agreement by and between Pacific VC2 Holdings, L.P. and American Assets, Inc., dated as of August 15, 2000; as amended by that First Amendment to Master Management Agreement by and between Pacific VC2 Holdings, L.P. and American Assets, Inc., dated as of September 1, 2009

22. Master Management Agreement by and between Pacific VC3 Holdings, L.P. and American Assets, Inc., dated as of August 15, 2000; as amended by that First Amendment to Master Management Agreement by and between Pacific VC3 Holdings, L.P. and American Assets, Inc., dated as of September 1, 2009

23. Property Management Agreement for Corporate Centres 1 & 2 by and between Solana Beach Towne Centres Investments, L.P. and American Assets, Inc., dated as of December 1, 1997

24. Master Management Agreement by and between SB Corporate Centre III-IV, LLC and American Assets, Inc., dated as of July 12, 2007
25. Master Management Agreement by and between 160 King Street, LLC and American Assets, Inc., dated as of May 2, 2005
26. Master Management Agreement for the Landmark at One Market Street – San Francisco by and between Landmark – SF, Inc. and American Assets, Inc., dated as of June 15, 2005
27. Management Agreement by and between Imperial Strand, a California limited partnership, and American Assets, Inc., dated as of January 1, 1993
28. Management Agreement by and between Loma Palisades, a California general partnership, and American Assets, Inc., dated as of January 1, 1993
29. Addendum to Management Agreement (Limited Subordination) by and between Loma Palisades, a California general partnership, and American Assets, Inc., dated as of June 30, 2008
30. Master Management Agreement by and between Mariner's Point, LLC and American Assets, Inc., dated as of May 4, 2001
31. Management Agreement by and between Pacific Santa Fe Holdings, L.P. and American Assets, Inc., dated as of October 15, 1997
32. Asset Management Agreement by and between Novato FF Property, LLC and American Assets, Inc., dated as of May 15, 2007

SCHEDULE B

ASSUMED LIABILITIES

1. All liabilities or obligations relating to the Transferred Employees arising from and after the Closing.

SCHEDULE C

AFFECTED EMPLOYEES

Employee List by State **9/7/10**
AAI

Total Count: **98** **Total Part Time:** **10**
Total CA: **97** **Total Full Time:** **88**
Total HI: **1**

AA.Corp Count	**0**
A-AC Count	**#REF!**
A-DM Count	**8**
A-HI Count	**1**
A-HO Count	**46**
A-IB Count	**8**
A-LMK Count	**2**
A-SF Count	**5**
A-LP Count	**27**

PSID	EE#	Last Name	First Name	Hire Date	Title	Supervisor	CC	Dpt. Code	Loc	State	Category
UJG	0584	Rady	Ernest	06/01/67	Chairman and President	Rady, Ernest	100	AA.CORP	(none)	CA	Regular Full Time
								AA.Corp Count	1		
								A-AC Count	#REF!		
UJG	4981	Fletcher	Veronica	09/01/05	Administrative Assistant	Vivanco, Jill	647	AA.DMO	A-DM	CA	Regular Full Time
UJG	5526	Helm	George	08/06/07	Director, Maint/Const Coord	Vivanco, Jill	647	AA.DMO	A-DM	CA	Regular Full Time
UJG	5175	Magallan	Abel	07/06/06	Maintenance Technician	Helm, George	647	AA.DMO	A-DM	CA	Regular Full Time
UJG	5978	Neece	Therese	11/10/08	Guest Services Coordinator	Vivanco, Jill	647	AA.DMO	A-DM	CA	Regular Full Time
UJG	6131	Richmond	Curtis	07/27/09	Maintenance Technician	Vivanco, Jill	647	AA.DMO	A-DM	CA	Regular Full Time
UJG	4973	Urmatan	Gina	09/01/05	Assistant General Manager	Vivanco, Jill	647	AA.DMO	A-DM	CA	Regular Full Time
UJG	5287	Varela	Joseph	11/25/06	Maintenance Technician	Helm, George	647	AA.DMO	A-DM	CA	Regular Full Time
UJG	5969	Hoffman	Nick	11/01/08	Maintenance Technician	Helm, George	647	AA.DMO	A-DM	CA	Regular Full Time Site
								A-DM Count	8		
UJG	5111	Wilson	Pam	04/01/06	Manager, General	Kinney, Mark	660	AA.WLE	A-HI	HI	Regular Full Time
								A-HI Count	1		
UJG	4657	Gojuangco	Cathy	02/26/07	Administrative Assistant	Henning, Teresa	100	AA.COM	A-HO	CA	Regular Part Time
UJG	1306	Albrektsen	Shaun	06/09/03	Maintenance Technician	Rodriguez, Russell	100	AA.COM	A-HO	CA	Regular Full Time
UJG	6398	Arnett	Wren	08/16/10	Analyst	Chamberlain, John	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	4943	Bailey	Jeff	08/01/05	Help Desk LAN Admin	McCartney, Kenneth	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	0896	Barton	Robert	06/22/98	EVP, CFO	Rady, Ernest	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	4984	Batman	Lori	08/29/05	Manager, Lease Administration	Kinney, Mark	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5671	Calderon	Lily	01/15/08	Marketing Assistant	Jones, Monica	100	AA.COM	A-HO	CA	Regular Full Time
UJG	4550	Chamberlain	John	01/01/89	CEO	Rady, Ernest	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	5082	Chamberlain	Rhonda	02/13/06	Paralegal	Sullivan, Christopher	100	AA.COM	A-HO	CA	Regular Full Time
UJG	0461	Crow	Jacqueline	03/29/93	Property/Corp Administrator	Kinney, Mark	100	AA.RES	A-HO	CA	Regular Full Time
UJG	6344	Demellier	Christina	05/17/10	Director, Financial Rptg	Barton, Robert	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	4625	Durfey	Jim	03/01/04	Vice President, Leasing	Chamberlain, John	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5042	Ebert	Todd	11/14/05	Lease Administrator, Sr	Batman, Lori	100	AA.COM	A-HO	CA	Regular Full Time
UJG	0787	Enriquez	Jaime	03/10/97	Facilities Engineer	Tackabery, Mark	100	AA.COM	A-HO	CA	Regular Full Time
UJG	6383	Fischer	Patrick	07/06/10	Analyst	Barton, Robert	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	1102	Gammieri	Jerry	07/01/00	Vice President, Constructio	Chamberlain, John	100	AA.CONS	A-HO	CA	Regular Full Time
UJG	4949	Greene	Mia	08/01/05	Lease Administrator	Batman, Lori	100	AA.COM	A-HO	CA	Regular Full Time
UJG	1052	Hamerdinger	Diane	01/25/00	Construction Accountant	Gammieri, Jerry	100	AA.CONS	A-HO	CA	Regular Full Time
UJG	5402	Henning	Teresa	05/01/07	Office Property Manager	Kinney, Mark	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5032	Hiller	Shayla	10/31/05	Lease Administrator	Batman, Lori	100	AA.COM	A-HO	CA	Regular Full Time

Employee List by State **9/7/10**
AAI

Total Count:	**98**	**Total Part Time:**	**10**
Total CA:	**97**	**Total Full Time:**	**88**
Total HI:	**1**		

AA.Corp Count	**0**
A-AC Count	**#REF!**
A-DM Count	**8**
A-HI Count	**1**
A-HO Count	**46**
A-IB Count	**8**
A-LMK Count	**2**
A-SF Count	**5**
A-LP Count	**27**

PSID	EE#	Last Name	First Name	Hire Date	Title	Supervisor	CC	Dpt. Code	Loc	State	Category
UJG	4772	Jones	Monica	12/01/04	Marketing Director	Kinney, Mark	100	AA.COM	A-HO	CA	Regular Full Time
UJG	0113	Kelly	Wendy	08/31/90	Administrative Manager	Chamberlain, John	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	4595	Kinney	Patrick	01/01/04	VP, Real Estate Operations	Chamberlain, John	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5328	Kouprina	Yulia	03/19/07	Accounts Payable Clerk	McMillan, Graham	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	4552	Krepak	Lynne	04/27/87	Manager, Office	Barton, Robert	100	AA.RES	A-HO	CA	Regular Full Time
UJG	0118	Lacey	Brenda	02/05/88	Dir of Fin Tax Rpt & Dir of IA	Barton, Robert	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	1132	McCartney	Kenneth	12/01/00	Network Manager	Barton, Robert	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	4806	McMillan	Graham	01/17/05	Controller	Barton, Robert	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	5116	Moore	Charles	04/01/06	Facilities Engineer	Henning, Teresa	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5820	Nguyen	Le Hang	06/01/08	Project Accountant	McMillan, Graham	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	5812	Nguyen	Mary	06/01/08	Property Manager Assistant	Rodriguez, Russell	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5751	Placencia	Miguel	04/01/08	Utility Engineer	Henning, Teresa	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5689	Rhodes	Zina	02/04/08	Lease Administrator	Batman, Lori	100	AA.COM	A-HO	CA	Regular Full Time
UJG	6236	Riggs	Chasity	01/18/10	Receptionist	Krepak, Lynne	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	1131	Rodriguez	Russell	12/01/00	Sr. Retail Property Manager	Kinney, Mark	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5315	Rodriguez	Oscar	01/02/07	Maintenance Technician	Enriquez, Jaime	100	AA.COM	A-HO	CA	Regular Full Time
UJG	0126	Smith	Sue	06/01/90	Lease Administrator, Sr	Batman, Lori	100	AA.COM	A-HO	CA	Regular Full Time
UJG	4546	Sullivan	Chris	11/25/03	VP, Retail Leasing	Chamberlain, John	100	AA.COM	A-HO	CA	Regular Full Time
UJG	4589	Tackabery	Mark	08/05/02	Manager, Sr Retail Property	Kinney, Mark	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5698	Templo	Don	02/11/08	Hirsh Administrator	Henning, Teresa	100	AA.COM	A-HO	CA	Regular Full Time
UJG	5195	Tipton	Emily	08/14/06	Accounts Payable Clerk	McMillan, Graham	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	4603	Wang	Shufen	01/08/04	Project Accountant	McMillan, Graham	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	0442	Wood	Arthur	01/04/93	Maintenance Technician	Tackabery, Mark	100	AA.COM	A-HO	CA	Regular Full Time
UJG	4699	Wyll	Adam	09/01/04	SVP, GC	Barton, Robert	100	AA.CORP	A-HO	CA	Regular Full Time
UJG	5015	Xie	Jessica	10/10/05	Project Accountant	McMillan, Graham	100	AA.ACT	A-HO	CA	Regular Full Time
UJG	5839	Brown	Cyndi	06/09/08	Property Manager Assistant	Henning, Teresa	100	AA.COM	A-HO	CA	Regular Part Time -benefit eligible
								A-HO Count	46		
UJG	0824	Gomez	Luis	07/10/97	Manager, Maintenance	Trotter, Crystal	301	AA.IBG	A-IB	CA	Regular Full Time
UJG	6251	Standaert	John	02/01/10	Manager, Night	Trotter, Crystal	301	AA.IBG	A-IB	CA	Regular Full Time
UJG	6085	Stout	Tess	06/01/09	Assistant Manager	Trotter, Crystal	301	AA.IBG	A-IB	CA	Regular Full Time
UJG	4786	Trotter	Crystal	12/16/04	Manager, Multi Family Property	Austin, Michiel	301	AA.IBG	A-IB	CA	Regular Full Time
UJG	1203	Freeman	Christopher	11/15/01	Maintenance Technician	Gomez, Luis	301	AA.IBG	A-IB	CA	Regular Full Time Site
UJG	0915	Gomez	Sandra	11/16/01	Housekeeper	Trotter, Crystal	301	AA.IBG	A-IB	CA	Regular Full Time Site
UJG	4518	Alvarado	Stephanie	04/02/07	Housekeeper	Gomez, Luis	301	AA.IBG	A-IB	CA	Regular Part Time Site

Employee List by State **9/7/10**
AAI

Total Count:	**98**	**Total Part Time:**	**10**
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AA.Corp Count	**0**
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PSID	EE#	Last Name	First Name	Hire Date	Title	Supervisor	CC	Dpt. Code	Loc	State	Category
UJG	5060	Saldana	Stacy	12/19/05	Lease Administrator	Trotter, Crystal	301	AA.IBG	A-IB	CA	Regular Part Time Site
								A-IB Count	8		
UJG	4654	Vivanco	Jill	04/29/04	General Manager, No CA Prop	Kinney, Mark	682	AA.LMK	A-LMK	CA	Regular Full Time
UJG	5157	West	Stacy	06/01/06	Administrative Assistant	Vivanco, Jill	682	AA.LMK	A-LMK	CA	Regular Full Time
								A-LMK Count	2		
UJG	6324	Klenert	Amy	04/27/10	Lease Administrator	Screen, Laura	302	AA.LP	A-LP	CA	Regular Part Time
UJG	4958	Cramton	Larry	08/08/05	Manager, Night	Screen, Laura	302	AA.LP	A-LP	CA	Regular Full Time
UJG	5144	Didone	Lisa	11/27/09	Bookkeeper	Screen, Laura	302	AA.LP	A-LP	CA	Regular Full Time
UJG	0138	Richey	Marshall	07/31/99	Manager, Sr Maintenance	Screen, Laura	302	AA.LP	A-LP	CA	Regular Full Time
UJG	6200	Rodriguez	Carl	12/07/09	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time
UJG	6165	Screen	Laura	09/28/09	Manager, Multi-Family Property	Kinney, Mark	302	AA.LP	A-LP	CA	Regular Full Time
UJG	5168	Accardo	Jason	06/22/06	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	0370	Bojorquez Olivas	Genaro	03/21/05	Painter	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	0535	Casas Mejia	Felipe	03/08/05	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	1021	Diaz	Roberto	09/15/99	Groundskeeper	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	0866	Dore	Bertha	10/07/03	Housekeeper	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	5520	Gilberg	Andrew	07/23/07	Manager, Night	Screen, Laura	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	4565	Hernandez Hernandez	Mario	03/24/99	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	5277	Jaimes	Maria	11/14/06	Housekeeper	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	5514	Linares Perez	Arturo	07/20/07	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	5096	Lopez Rosete	Jesus	02/21/06	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	0932	Medina	Julio	10/22/98	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	0261	Perez	Paulino	09/01/77	Painter	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	4859	Quiroz Roman	Margarita	04/01/05	Housekeeper	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	1141	Ramirez	Ramon	03/14/01	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	4821	Sanchez De Paredes	Catalina	02/10/05	Housekeeper	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	5097	Tachiki Sandoval	Less	02/22/06	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	0257	Verdugo	Hector	03/01/89	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	0884	Villa	Ramiro	04/28/98	Painter	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	4609	Villa	Jose	01/21/04	Maintenance Technician	Richey, Marshall	302	AA.LP	A-LP	CA	Regular Full Time Site
UJG	1230	Buechler	Emily	03/26/02	Lease Administrator	Screen, Laura	302	AA.LP	A-LP	CA	Regular Part Time Site
UJG	6156	Hanson	Abbie	09/10/09	Lease Administrator	Screen, Laura	302	AA.LP	A-LP	CA	Regular Part Time Site
								A-LP Count	27		
UJG	4580	Shenk	Charlotte	04/20/01	Customer Service Rep	Klopp, Kathleen	304	AA.SFP	A-SF	CA	Regular Part Time

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AAI

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A-LP Count	**27**

PSID	EE#	Last Name	First Name	Hire Date	Title	Supervisor	CC	Dpt. Code	Loc	State	Category
UJG	0459	Klopp	Kathleen	01/30/01	Manager, Multi-Family Prpty	Kinney, Mark	304	AA.SFP	A-SF	CA	Regular Full Time
UJG	1268	DeYoung	Joe	02/21/05	Supervisor, Maintenance	Klopp, Kathleen	304	AA.SFP	A-SF	CA	Regular Full Time Site
UJG	6304	Fonseca	Miguel	03/31/10	Maintenance Technician	Klopp, Kathleen	304	AA.SFP	A-SF	CA	Regular Part Time Site
UJG	0641	Szabo	Katherine	09/08/94	Office Assistant	Klopp, Kathleen	304	AA.SFP	A-SF	CA	Regular Part Time Site
								A-SF Count	5		
								Grand Count	98		

LAND COURT SYSTEM | REGULAR SYSTEM

After Recordation, Return By Mail To:

Gerard Keegan, Esq.
Dechert LLP
30 Rockefeller Plaza
New York, New York 10112-2200

TITLE OF DOCUMENT:

MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, FINANCING STATEMENT AND FIXTURE FILING

PARTIES TO DOCUMENT:

MORTGAGOR: Waikele Reserve West Holdings, LLC and
Waikele Venture Holdings, LLC
11455 El Camino Real, Suite 200
San Diego, California 92130

MORTGAGEE: Bear Stearns Commercial Mortgage, Inc.
383 Madison Avenue
New York, New York 10179

TAX MAP KEY(S):
9-4-007-054
9-4-007-056

(This document consists of ____ pages.)

TRANSFER CERTIFICATE OF
TITLE NUMBER: 716235 and
_____

THIS MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, FINANCING STATEMENT AND FIXTURE FILING (this "**Security Instrument**") is made as of the 28th day of October, 2004, by **WAIKELE RESERVE WEST HOLDINGS, LLC**, a Delaware limited liability company, having an address at 11455 El Camino Real, Suite 200, San Diego, California 92130 ("**West**") and **WAIKELE VENTURE HOLDINGS, LLC**, a Delaware limited liability company, having an address at 11455 El Camino Real, Suite 200, San Diego, California 92130 ("**Venture**"; West and Venture are individually or collectively (as the context requires) referred to herein as "**Borrower**"), as mortgagor, to **BEAR STEARNS COMMERCIAL MORTGAGE, INC.**, a New York corporation, having an address at 383 Madison Avenue, New York, New York 10179 (together with its successors and assigns, "**Lender**"), as mortgagee.

RECITALS:

Borrower by (i) that certain Promissory Note A-1 given to Lender dated as of the date hereof (the "**A-1 Note**"), (ii) that certain Promissory Note A-2 given to Lender dated as of the date hereof (the "**A-2 Note**"), (iii) that certain Promissory Note A-3 given to Lender dated as of the date hereof (the "**A-3 Note**") of even date herewith, (iv) that certain Promissory Note A-4 given to Lender dated as of the date hereof (the "**A-4 Note**"; each of the A-1 Note, the A-2 Note, the A-3 Note and the A-4 Note, together with all extensions, renewals, modifications, substitutions and amendments thereof shall collectively be referred to herein as the "**Note**") is indebted to Lender in the aggregate principal sum of $140,700,000 (the "**Loan**") in lawful money of the United States of America, with interest from the date thereof at the rates set forth in the Note, principal and interest to be payable in accordance with the terms and conditions provided in the Note.

Borrower desires to secure the payment of the Debt (as defined in Article 2) and the performance of all of the Other Obligations (as defined in Article 2).

Article 1. GRANTS OF SECURITY

Section 1.1. PROPERTY GRANTED. For the purpose of securing payment and performance of the Obligations (as defined in Article 2), Borrower, for and in consideration of the sum of Ten Dollars ($10.00) and other valuable consideration in hand paid, the receipt of which hereby is acknowledged, and the further consideration, uses, purposes and trusts herein set forth and declared, has granted, deeded, mortgaged, sold, bargained, transferred, assigned, set-over and conveyed and by these presents does grant, deed, mortgage, bargain, sell, transfer, assign, set-over and convey unto Lender and its successors and assigns all of Borrower's right, title and interest in and to the following property, rights, interests and estates now owned, or hereafter acquired by Borrower (collectively, the "**Property**"):

(a) Land. The real property described in Exhibit A attached hereto (the "**Land**");

(b) Intentionally Omitted;

(c) Intentionally Omitted;

(d) Additional Land. All additional lands, estates and development rights hereafter acquired by Borrower for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument;

(e) Improvements. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (the "**Improvements**");

(f) Easements. All easements, rights of way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Borrower of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(g) Fixtures and Personal Property. All machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and other property of every kind and nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Land and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Land and the Improvements (collectively, the "**Personal Property**"), and the right, title and interest of Borrower in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Property is located (the "**Uniform Commercial Code**"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above;

(h) Leases and Rents. All leases and other agreements affecting the use, enjoyment or occupancy of the Land and the Improvements heretofore or hereafter entered into, including, without limitation, any guaranty of any of the foregoing leases (a "**Lease**" or "**Leases**"), including, without limitation, those Leases listed on Exhibit C hereto, and all right, title and interest of Borrower, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder and all rents, additional rents, revenues, issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Land and the Improvements (the "**Rents**"), subject to the license to collect and use such Rents pursuant to the provisions of Section 3.7 below, and all proceeds from the sale or other disposition of the Leases;

(i) Intentionally Omitted;

(j) Condemnation Awards. All awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property;

(k) Insurance Proceeds. All proceeds of and any unearned premiums on any insurance policies covering the Property (whether or not Borrower is required to carry such insurance by Lender hereunder), including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property, subject to the provisions hereof;

(l) Tax Certiorari. All refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction;

(m) Conversion. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, proceeds of insurance and condemnation awards, into cash or liquidation claims;

(n) Agreements. All agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Borrower therein and thereunder, including, without limitation, the right, upon the happening of any default hereunder, to receive and collect any sums payable to Borrower thereunder;

(o) Intangibles. All tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property;

(p) Letter of Credit Rights. All letter of credit rights (whether or not the letter of credit is evidenced by a writing) Borrower now has or hereafter acquires relating to the properties, rights, titles and interest referred to in this Section 1.1;

(q) Tort Claims. All commercial tort claims Borrower now has or hereafter acquires relating to the properties, rights, titles and interests referred to in this Section 1.1;

(r) Borrower Accounts. All payments for goods or property sold or leased or for services rendered arising from the operation of the Land and the Improvements, whether or not yet earned by performance, and not evidenced by an instrument or chattel paper;

(s) Reserve Accounts. All reserves, escrows and deposit accounts required under the Loan Documents and all cash, checks, drafts, certificates, securities, investment property, financial assets, instruments and other property held therein from time to time and all proceeds, products, distributions or dividends or substitutions thereon and thereof;

(t) TIC Agreement. Borrower's contract rights under that certain Tenancy-in-Common Agreement executed by and among West and Venture and dated on or about the date hereof (such agreements, together with all amendments, restatements, memoranda or other modifications thereof, collectively, the "**TIC Agreement**");

(u) Assignments/Modifications of TIC Agreement. Borrower's contract rights under all assignments, modifications, extensions and renewals of the TIC Agreement and all credits, deposits, options, privileges and rights of West and/or Venture under the TIC Agreement, including, but not limited to, any rights of first refusal relating thereto arising under Section 363(i) of the Bankruptcy Code;

(v) Proceeds. All proceeds of any of the foregoing items set forth in subsections (a) through (r); and

(w) Other Rights. Any and all other rights of Borrower in and to the items set forth in subsections (a) through (t) above.

Section 1.2. ASSIGNMENT OF RENTS. Borrower hereby absolutely and unconditionally assigns to Lender Borrower's right, title and interest in and to all current and future Leases and Rents; it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Notwithstanding the foregoing or anything to the contrary contained herein, until (a) the occurrence and continuance of an Event of Default in connection with which Lender has elected to accelerate the Loan in accordance with the applicable terms hereof and (b) such Event of Default has continued up to the earlier date of the following occurrences: (i) ninety (90) days after Lender's delivery to Borrower of written notice of the commencement of such Event of Default or (ii) Lender's commencement of a foreclosure (either judicial or non-judicial) or acceptance of a deed-in lieu of foreclosure (the "**Acceleration Default**"), all Rents shall be deposited, held and applied pursuant to that certain Restricted Account Agreement by and among Borrower and Lender (among others) (the "**Restricted Account Agreement**") and that certain Cash Management Agreement dated as of the date hereof between Borrower and Lender (the "**Cash Management Agreement**").

Section 1.3. SECURITY AGREEMENT. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. By executing and delivering this Security Instrument, Borrower hereby grants to Lender, as security for the Obligations, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code. To the extent permitted by law, Borrower and Lender agree that with respect to all items of Personal Property, which are or will become fixtures on the Land, this Security Instrument, upon recording or registration in the real estate records of the proper office, shall constitute a "fixture filing" within the meaning of the applicable provisions of the Uniform Commercial Code of the State of Hawaii. Borrower is the record owner of the Land.

Section 1.4. PLEDGE OF MONIES HELD. Borrower hereby pledges to Lender any and all monies belonging to Borrower which are now or hereafter held by Lender, and which are (i) deposited in the Escrow Fund (as defined in Section 3.5), (ii) Net Proceeds (as defined in Section 4.4), and/or (iii) condemnation awards or payments described in Section 3.6, as additional security for the Obligations until expended or applied as provided in this Security Instrument.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Lender its successors and assigns, forever, however, upon the terms and conditions set forth herein;

PROVIDED, HOWEVER, these presents are upon the express condition that, when all of the Obligations have been paid in full, Lender shall re-convey the Property and shall surrender this Security Instrument and all notes and instruments evidencing the Obligations to Borrower.

Article 2. PAYMENTS

Section 2.1. DEBT AND OBLIGATIONS SECURED. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the following, in such order of priority as Lender may determine in its sole discretion (the "**Debt**"): (a) the payment of the indebtedness evidenced by the Note in lawful money of the United States of America; (b) the payment of interest, prepayment premiums, default interest, late charges and other sums, as provided in the Note, this Security Instrument or the Other Security Documents (defined below); (c) the payment of all other moneys agreed or provided to be paid by Borrower in the Note, this Security Instrument or the Other Security Documents (collectively sometimes referred to herein as the "**Loan Documents**"); (d) the payment of all sums advanced pursuant to this Security Instrument to protect and preserve the Property and the lien and the security interest created hereby; (e) the payment of all sums reasonably advanced and costs and expenses reasonably incurred (including unpaid or unreimbursed servicing and special servicing fees) by Lender in connection with the Debt or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender. This Security Instrument and the grants, assignments and transfers made in Article 1 are also given for the purpose of securing the performance of all other obligations of Borrower contained herein and the performance of each obligation of Borrower contained in any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part of this Security Instrument, the Note, or the Other Security Documents (collectively, the "**Other Obligations**"). Borrower's obligations for the payment of the Debt and the performance of the Other Obligations shall be referred to collectively herein as the "**Obligations**."

Section 2.2. PAYMENTS. Unless payments are made in the required amount in immediately available funds at the place where the Note is payable, remittances in payment of all

or any part of the Debt shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in funds immediately available at the place where the Note is payable (or any other place as Lender, in Lender's sole discretion, may have established by delivery of written notice thereof to Borrower) and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall not cure any then-existing Event of Default (defined below).

Article 3. BORROWER COVENANTS

Borrower covenants and agrees that:

Section 3.1. PAYMENT OF DEBT. Borrower will pay the Debt at the time and in the manner provided in the Note and in this Security Instrument.

Section 3.2. INCORPORATION BY REFERENCE. All the covenants, conditions and agreements contained in (a) the Note and (b) all and any of the documents other than the Note or this Security Instrument now or hereafter executed by Borrower and/or others and by or in favor of Lender, which wholly or partially secure or guaranty payment of the Note (the "**Other Security Documents**"), are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein.

Section 3.3. INSURANCE.

(a) Borrower, at its sole cost and expense, for the mutual benefit of Borrower and Lender, shall obtain and maintain, or cause to be maintained, during the entire term of this Security Instrument policies of insurance for Borrower and the Property providing at least the following coverages:

(i) comprehensive all risk insurance ("**Special Form**") including, but not limited to, loss caused by any type of windstorm or hail on the Improvements and the Personal Property, (A) in an amount equal to one hundred percent (100%) of the "Full Replacement Cost," which for purposes of this Security Instrument shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation, but the amount shall in no event be less than the outstanding principal balance of the Loan; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions or to be written on a no co-insurance form; (C) providing for no deductible in excess of Twenty-Five Thousand and No/100 Dollars ($25,000.00) for all such insurance coverage and (D) if any of the Improvements or the use of the Property shall at any time constitute legal non-conforming structures or uses, coverage for loss due to operation of law in an amount equal to the Full Replacement Cost, coverage for demolition costs and coverage for increased costs of construction. In addition, Borrower shall obtain: (y) if any portion of the Improvements is currently or at any time in the future located in a federally designated "special flood hazard area", flood hazard insurance in an amount equal to the lesser of (1) the outstanding principal balance of the Note or (2) the maximum amount of

such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended or such lesser amount as Lender shall require; and (z) earthquake insurance in amounts and in form and substance reasonably satisfactory to Lender in the event the Property is located in an area with a high degree of seismic activity, provided that the insurance required to be maintained pursuant to clauses (y) and (z) above shall be on terms consistent with the Special Form policy required pursuant to this subsection (i). Notwithstanding anything to the contrary in this Security Instrument, the insurance coverage described in the foregoing subparagraphs (y) and (z) shall be required (1) as of the date hereof only if determined to be necessary by Lender based upon its reasonable evaluation of third party reports, and (2) at any time hereafter in the event subsequent third party reports indicate a change in the condition of or circumstances surrounding the Property;

(ii) rental loss insurance (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in subsection (i) above; (C) in an annual aggregate amount equal to 100% of all rents or estimated gross revenues from the operation of the Properties (as reduced to reflect actual vacancies and expenses not incurred during a period of Restoration) and covering rental losses for a period of at least eighteen (18) months, after the date of the casualty, and notwithstanding that the Policy may expire prior to the end of such period; and (D) containing an extended period of indemnity endorsement which provides that after the physical loss to the Improvements and the Personal Property has been repaired, the continued loss of income will be insured until such income returns to the same level it was prior to the loss, or the expiration of six (6) months from the date of the completion of the Restoration, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period. The amount of such rental loss insurance shall be determined prior to the date hereof and at least once each year thereafter based on Borrower's reasonable estimate of the gross income from the Property for the succeeding eighteen (18) month period and a reasonable vacancy factor acceptable to Lender. All proceeds payable to Lender pursuant to this subsection shall be disbursed by Lender to Borrower immediately following Lender's receipt thereof, provided no Event of Default is then in existence; provided, however, (i) if a Cash Management Period (as defined in the Cash Management Agreement) then exists, such proceeds shall be deposited into the Cash Management Account (as defined in the Cash Management Agreement) and disbursed in accordance with the applicable terms and conditions of the Cash Management Agreement, and (ii) that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured by the Loan Documents on the respective dates of payment provided for in the Note and the other Loan Documents except to the extent such amounts are actually paid out of the proceeds of such business income insurance;

(iii) at all times during which structural construction, repairs or alterations are being made with respect to the Improvements, and only if the Property coverage form referenced in subsection (i), above, does not otherwise apply, (A) owner's contingent or protective liability insurance, otherwise known as Owner Contractor's Protective Liability, covering claims not covered by or under the terms or provisions of the commercial general liability insurance policy in (v) below; and (B) the insurance provided for in subsection (i) above written in a so-called builder's risk completed value form (1) on a non-reporting basis, (2) against all risks insured against pursuant to subsection (i) above, (3) including permission to occupy the Property, and (4) with an agreed amount endorsement waiving co-insurance provisions;

(iv) comprehensive boiler and machinery insurance, if steam boilers or other pressure-fixed vessels are in operation, in amounts as shall be reasonably required by Lender on terms consistent with the commercial property insurance policy required under subsection (i) above;

(v) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the so-called "occurrence" form with a combined limit of not less than Two Million and No/100 Dollars ($2,000,000.00) in the aggregate and One Million and No/100 Dollars ($1,000,000.00) per occurrence; (B) to continue at not less than the aforesaid limit until reasonably required to be changed by Lender as provided in subsection 3.3(b) below; and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations on an "if any" basis; (3) independent contractors; (4) blanket contractual liability and (5) contractual liability covering the indemnities contained in Section 13.1 to the extent the same is available;

(vi) automobile liability coverage for all owned and non-owned vehicles, if any, used by Borrower in the operation of the Property, including rented and leased vehicles containing minimum limits per occurrence of One Million and No/100 Dollars ($1,000,000.00);

(vii) umbrella liability insurance in an amount not less than Ten Million and No/100 Dollars ($10,000,000.00) per occurrence on terms consistent with the commercial general liability insurance policy required under subsection (ii) above, including, but not limited to, supplemental coverage for workers' compensation and automobile liability, which umbrella liability coverage shall apply in excess of the automobile liability coverage in clause (vi) above;

(viii) so-called "dramshop" insurance, if applicable, or other liability insurance required in connection with the sale of alcoholic beverages; and

(ix) upon sixty (60) days' written notice, such other reasonable insurance such as sinkhole or land subsidence insurance, and in such reasonable amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in or around the region in which the Property is located.

(b) All insurance provided for in Section 3.3(a) shall be obtained under valid and enforceable policies (collectively, the "**Policies**" or in the singular, the "**Policy**"), and (i) shall be issued by financially sound and responsible insurance companies reasonably approved by Lender, and authorized or licensed to do business in the state where the Property is located, with claims paying ability/financial strength ratings of "AA" or better by S&P (as defined in the Cash Management Agreement) and Fitch (as defined in the Cash Management Agreement) and "Aa2" or better by Moody's (as defined in the Cash Management Agreement) and general policy ratings of A or better and financial classes of X or better by A.M. Best Company, Inc.; (ii) shall name Borrower as the insured and Lender as an additional insured, as its interests may appear; (iii) in the case of property damage, boiler and machinery and, if required pursuant to the provisions hereof, flood and earthquake insurance, shall contain a so called New York Non Contributory Standard Mortgagee Clause and (other than those strictly limited to liability protection) a

Lender's Loss Payable Endorsement (Form 438 BFU NS), or their equivalents, naming Lender as the person to which all payments made by such insurance company shall be paid; (iv) shall contain a waiver of subrogation against Lender; (v) shall be maintained throughout the term of this Security Instrument without cost to Lender; (vi) shall be assigned and, if requested in writing by Lender, the originals (or duplicate originals certified to be true and correct by the applicable insurer or its agent) delivered to Lender; and (vii) shall contain such provisions, consistent with the provisions hereof, as Lender deems reasonably necessary or desirable to protect its interest including, without limitation, endorsements or clauses providing that (I) neither Borrower, Lender nor any other party shall be a co insurer under said Policies, (II) that Lender shall receive at least ten (10) days prior written notice of any modification, reduction or cancellation of any Policy, (III) no act or negligence of Borrower, or anyone acting for Borrower, or of any Tenant or other occupant, or failure to comply with the provisions of any Policy, which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as Lender is concerned, (IV) Lender shall not be liable for any Insurance Premiums (defined below) thereon or subject to any assessments thereunder, and (V) such Policies do not exclude coverage for acts of terror or similar acts of sabotage. Any blanket Policy shall specifically allocate to the Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Property in compliance with the provisions of Section 3.3(a). Borrower shall pay the premiums for such Policies (the "**Insurance Premiums**") as the same become due and payable and shall furnish to Lender evidence of the renewal of each of the new Policies with receipts for the payment of the Insurance Premiums or other evidence of such payment reasonably satisfactory to Lender (provided that such Insurance Premiums have not been paid to Lender or Lender's servicing agent pursuant to Section 3.5 hereof). If Borrower does not furnish such evidence and receipts at least thirty (30) days prior to the expiration of any apparently expiring Policy, then Lender may procure, but shall not be obligated to procure, such insurance and pay the Insurance Premiums therefor, and Borrower agrees to reimburse Lender for the cost of such Insurance Premiums promptly on demand. Within thirty (30) days after request by Lender, Borrower shall obtain such increases in the amounts of coverage required hereunder as may be reasonably requested by Lender, taking into consideration changes in the value of money over time, changes in liability laws, changes in prudent customs and practices, and the like; provided, however, such increased coverages shall not be requested more frequently than once every three years, and shall only be requested if such coverage is commercially available at commercially reasonable rates and such rates are consistent with those paid in respect of comparable properties in comparable locations, and Lender also reasonably determines that either (I) prudent owners of real estate comparable to the Property are maintaining same or (II) prudent institutional lenders (including without limitation, investment banks) to such owners are generally requiring that such owners maintain such insurance.

(c) If the Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt notice of such damage to Lender and shall promptly commence and diligently prosecute the completion of the repair and restoration of the Property as nearly as possible to the condition the Property was in immediately prior to such fire or other casualty, with such alterations as may be approved by Lender (the "**Restoration**") and otherwise in accordance with Section 4.4 of this Security Instrument. Borrower shall pay all costs of such Restoration whether or not such costs are covered by insurance. In case of loss covered by Policies, Lender may either (1) settle and adjust any claim, or (2) allow Borrower to agree with

the insurance company or companies on the amount to be paid upon the loss; provided, that (A) provided no Event of Default shall have occurred and be continuing, Borrower may adjust losses aggregating not in excess of the Threshold Amount (defined below) if such adjustment is carried out in a competent and timely manner and (B) if no Event of Default shall have occurred and be continuing, Lender shall not settle or adjust any such claim under clause (1), above, without the consent of Borrower, which consent shall not be unreasonably withheld or delayed. In any case Lender shall and is hereby authorized to collect and receipt for any such insurance proceeds; and the reasonable expenses incurred by Lender in the adjustment and collection of insurance proceeds shall become part of the Debt and be secured hereby and shall be reimbursed by Borrower to Lender upon demand.

Section 3.4. PAYMENT OF TAXES, ETC. (a) Subject to the provisions of Sections 3.4(b) and 3.5 hereof, Borrower shall pay all taxes, assessments, water rates, sewer rents, governmental impositions, and other charges, including without limitation vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Land, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "**Taxes**"), all ground rents, maintenance charges and similar charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "**Other Charges**"), and all charges for utility services provided to the Property prior to the same becoming delinquent. Borrower will deliver to Lender, promptly upon Lender's written request, evidence satisfactory to Lender that the Taxes, Other Charges and utility service charges have been so paid or are not then delinquent. Borrower shall not suffer and shall promptly cause to be paid and discharged any lien or charge against the Property arising out of such Taxes, Other Charges and utility service charges. Except to the extent sums sufficient to pay all Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument, Borrower shall furnish to Lender, promptly upon Lender's written request, paid receipts for the payment of the Taxes and Other Charges.

(b) Borrower, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any of the Taxes, provided that (i) no Event of Default has occurred and is continuing under the Note, this Security Instrument or any of the Other Security Documents, (ii) Borrower is permitted to do so under the provisions of any other mortgage, deed of trust or deed to secure debt affecting the Property, (iii) such proceeding shall suspend the collection of the Taxes from Borrower and from the Property or Borrower shall have paid all of the Taxes under protest, (iv) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrower is subject and shall not constitute a default thereunder, (v) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost, (vi) Borrower shall have deposited with Lender adequate reserves for the payment of the Taxes, together with all interest and penalties thereon, unless Borrower has paid all of the Taxes under protest, and (vii) Borrower shall have furnished the security as may be required in the proceeding to insure the payment of any contested Taxes, together with all interest and penalties thereon.

Section 3.5. ESCROW FUND. Except as provided below, Borrower shall pay to Lender on the first day of each calendar month (a) one twelfth of an amount which would be sufficient to pay the Taxes payable, or estimated by Lender to be payable, during the next

ensuing twelve (12) months and (b) one twelfth of an amount which would be sufficient to pay the Insurance Premiums due for the renewal of the coverage afforded by the Policies upon the expiration thereof (the amounts in (a) and (b) above shall be called the "**Escrow Fund**"). Borrower agrees to notify Lender immediately of any changes to the amounts, schedules and instructions for payment of any Taxes and Insurance Premiums of which it has obtained knowledge and authorizes Lender or its agent to obtain the bills for Taxes and Other Charges directly from the appropriate taxing authority. The Escrow Fund and the payments of interest or principal or both, payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Borrower to Lender. Lender will timely apply the Escrow Fund to payments of Taxes and Insurance Premiums required to be made by Borrower pursuant to Sections 3.3 and 3.4 hereof. If the amount of the Escrow Fund shall exceed the amounts due for Taxes and Insurance Premiums pursuant to Sections 3.3 and 3.4 hereof, Lender shall promptly return any excess to Borrower. In disbursing such excess, Lender may deal with the person shown on the records of Lender to be the owner of the Property. If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Borrower shall promptly pay to Lender, upon demand, an amount which Lender shall estimate as sufficient to make up the deficiency. The Escrow Fund shall not constitute a trust fund and may be commingled with other monies held by Lender. No earnings or interest on the Escrow Fund shall be payable to Borrower. Notwithstanding the foregoing, Borrower shall not be required to make deposits to the Escrow Fund for Insurance Premiums pursuant to this Section 3.5 so long as (i) no Event of Default occurs and is continuing hereunder, (ii) Borrower pays all Insurance Premiums by no later than ten (10) Business Days prior to the delinquency thereof, and (iii) Borrower provides Lender paid receipts for the payment of the Insurance Premiums by no later than one (1) Business Day prior to the delinquency thereof. Upon the occurrence of a failure of any of the conditions specified in clauses (i) through (iii) above, Borrower shall, upon Lender's demand therefor, commence making the deposits to the Escrow Fund for Insurance Premiums required pursuant to this Section 3.5 commencing with the next Monthly Payment Date (as defined in the Note), which payments shall continue until Borrower corrects each such failure.

Section 3.6. CONDEMNATION. Borrower shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding affecting the Land and/or the Improvements and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Lender is hereby irrevocably appointed as Borrower's attorney in fact coupled with an interest, with exclusive powers to collect, receive and apply to the Debt (or provide to Borrower to pay for Restoration) any award or payment for any taking accomplished through a condemnation or eminent domain proceeding and, at any time during which an Event of Default has occurred and is continuing, to make any compromise or settlement in connection therewith. All condemnation awards or proceeds shall be either (a) paid to Lender for application against the Debt or (b) applied to Restoration of the Property in accordance with Section 4.4 hereof. Notwithstanding any taking by any public or quasi public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Security Instrument and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the

rate or rates provided herein or in the Note. Any award or payment to be applied to the reduction or discharge of the Debt or any portion thereof may be so applied whether or not the Debt or such portion thereof is then due and payable. If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the award or payment, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been or may be sought, recovered or denied, to receive the award or payment, or a portion thereof sufficient to pay the unpaid portion of the Debt.

Notwithstanding anything contained in this Section 3.6 or this Security Instrument to the contrary, but subject to the provisions of Section 4.4, below, Lender may elect to (y) apply the net proceeds of any condemnation award (after deduction of Lender's reasonable costs and expenses, if any, in collecting the same) in reduction of the Debt in such order and manner as Lender may elect, whether due or not, or (z) make the proceeds available to Borrower for the restoration or repair of the Property. Any implied covenant in this Security Instrument restricting the right of Lender to make such an election is waived by Borrower. In addition, Borrower hereby waives the provisions of any law prohibiting Lender from making such an election.

Section 3.7. LEASES AND RENTS. (a) Borrower does hereby absolutely and unconditionally assign to Lender, Borrower's right, title and interest in all current and future Leases and Rents, it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Such assignment to Lender shall not be construed to bind Lender to the performance of any of the covenants, conditions or provisions contained in any such Lease or otherwise impose any obligation upon Lender. Borrower agrees to execute and deliver to Lender such additional instruments, in form and substance satisfactory to Lender, as may hereafter be requested by Lender to further evidence and confirm such assignment. Nevertheless, subject to the terms of this Section 3.7, Lender grants to Borrower a revocable license (revocable only as provided herein) to operate and manage the Property and to collect, retain, and enjoy the Rents pursuant to (and as such license may be limited by) the terms and conditions contained in the Restricted Account Agreement and the Cash Management Agreement. Furthermore, notwithstanding anything to contrary contained herein and notwithstanding the rights granted to Lender pursuant to this Section 3.7, all Rents shall be deposited, held and applied pursuant to the provisions of the Restricted Account Agreement and the Cash Management Agreement. Upon the occurrence and continuance of an Acceleration Default, the license granted to Borrower herein shall automatically be revoked (subject to automatic reinstatement upon Borrower's cure of the applicable Event of Default), and Lender shall, subject to the provisions of the Other Security Documents, immediately be entitled to possession of all Rents, whether or not Lender enters upon or takes control of the Property. Subject to the provisions of the Other Security Documents, Lender is hereby granted by Borrower the right, at its option, during any period of revocation of the license granted herein, to enter upon the Property in person, by agent or by court appointed receiver to collect the Rents. Any Rents collected during the revocation of the license shall, subject to any contrary provision of the Other Security Documents, be applied by Lender against the Debt, in such order and priority as it may determine.

(b) All Leases entered into after the date hereof shall be written on (i) the standard form of lease which has been approved by Lender or (ii) an Acceptable Chain Tenant Form

(defined below). Commercially reasonable changes may be made to the Lender-approved standard lease or an Acceptable Chain Tenant Form without the prior written consent of Lender in the ordinary course of Borrower's business. All Leases (including any Acceptable Chain Tenant Form) shall provide that they are subordinate to this Security Instrument (subject to Lender's agreement (by Lender's acceptance of this Security Instrument hereby given) not to disturb such tenant's tenancies while they are in compliance with the terms of their Lease) and that the tenant thereunder agrees to attorn to Lender. As used herein, the term "**Acceptable Chain Tenant Form**" shall mean the form of lease promulgated by a prospective national or regional chain tenant that insists, on a programmatic or institutional basis, on using its own form of lease; provided, that, the provisions contained in such form of lease (i) are commercially reasonably for properties similar to the Property, (ii) do not contain any rights, options (including, without limitation, rights to purchase the Property or any interest therein) or obligations that would be unacceptable to a prudent secondary market lender substantially similar to Lender and (iii) do not have a Material Adverse Effect (defined below). As used above, the term "**Material Adverse Effect**" shall mean a material adverse effect on (i) the Property, (ii) the business, profits, prospects, management, operations or condition (financial or otherwise) of Borrower, Guarantor or the Property, (iii) the enforceability, validity, perfection or priority of the lien of this Security Instrument or the other Loan Documents, or (iv) the ability of Borrower to perform its obligations under this Security Instrument or the other Loan Documents.

(c) Borrower (i) shall observe and perform all material obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Debt; (ii) shall promptly send copies to Lender of all notices of default which Borrower shall receive thereunder; (iii) shall not collect any of the Rents more than one (1) month in advance (other than security deposits and prepaid first and last month's rent collected in the ordinary course of Borrower's business); and (iv) shall not execute any other assignment of the lessor's interest in the Leases or the Rents. Borrower (A) shall enforce all material terms, covenants and conditions contained in the Leases upon the part of the lessees thereunder to be observed or performed, short of termination thereof and short instituting litigation (provided, that, Borrower (1) shall be obligated to so institute litigation if the failure to do so would have a Material Adverse Effect and (2) may terminate a Lease only in the event of (aa) a monetary event of default under such Lease or (bb) a material non-monetary default under such Lease where the tenant fails to cure such event of default 30 days beyond the cure period set forth in the subject Lease); (B) may alter, modify or change the terms of the Leases in any material respect without the prior written consent of Lender, provided that such alterations, modifications or changes are commercially reasonable alterations, modifications or changes agreed to in the ordinary course of Borrower's business; (C) shall not, without Lender's consent, convey or transfer or suffer or permit a conveyance or transfer of the Property or of any interest therein so as to effect a merger of the estates and rights, or a termination or diminution of the obligations of, tenants under the Leases; (D) may approve or consent to any assignment of or subletting under the Leases in accordance with the terms of such Leases, without the prior written consent of Lender; and (E) shall not cancel the Leases or accept a surrender thereof, except that any Lease may be canceled if at the time of the cancellation thereof a new Lease is entered into on substantially the same terms or more favorable terms as the canceled Lease.

(d) Borrower, as the lessor thereunder, may enter into proposed lease renewals and new leases without the prior written consent of Lender, provided each such proposed lease:

(i) shall have an initial term of not less than three (3) years or greater than ten (10) years; (ii) shall provide for rental rates (including rates during any renewal or option term or rates applicable to any expansion space) comparable to then existing local market rates that would be agreed to in an arm's length transaction; (iii) shall be to a tenant which Borrower reasonably determines to be capable and reputable; and (iv) shall comply with the provisions of subsection (b) above (except that any lease renewals may be on the same form as the original lease). Borrower may enter into a proposed lease which does not satisfy all of the conditions set forth in clauses (i) through (iv) immediately above, provided Lender consents in writing to such proposed lease, such consent not to be unreasonably withheld or delayed. Borrower expressly understands that any and all proposed leases are included in the definition of "Lease" or "Leases" as such terms may be used throughout this Security Instrument, the Note and the Other Security Documents. Borrower shall furnish Lender with executed copies of all Leases and any amendments or other agreements pertaining thereto.

(e) Notwithstanding anything to the contrary contained herein or in any other Loan Document, Borrower shall not, without the prior written consent of Lender, enter into, renew, extend, terminate (for reasons other than non-payment of rent), reduce rents under, permit an assignment or subleasing of (other than in accordance with its express terms) or otherwise amend, modify or waive any material or economic provisions of, accept a surrender of space under, or shorten the term of, any Major Lease or any instrument guaranteeing or providing credit support for any Major Lease. As used herein, the term "**Major Lease**" shall mean (i) any Lease which, individually or when aggregated with all other Leases at the Property with the same tenant or any Affiliate (defined below) of such tenant, demises 25,000 square feet or more of the Property's net rentable square footage, (ii) any Lease which contains any option, offer, right of first refusal or other similar entitlement to purchase all or any portion of the Property (which such rights shall be deemed to be exclusive of any rights under any Lease to extend the term thereof or to lease additional space at the Property) or (iii) any instrument guaranteeing or providing credit support for any Lease meeting the requirements of (i) or (ii) above. As used above, the term "**Affiliate**" shall mean, with respect to any tenant under any Lease at the Property, any affiliate of such tenant, unless such affiliate (i) operates under a separate trade name and under a separate corporate or other similar division from such tenant and (ii) is otherwise treated as a separate tenant under a separate Lease by Borrower. Notwithstanding the foregoing, Lender's prior written consent shall be required in order for Borrower to terminate (for reasons other than non-payment of rent), accept a surrender of space under or shorten the term of any Lease (or any instrument guaranteeing or providing credit support for such Lease) if such applicable Lease, individually or when aggregated with all other Leases at the Property with the same tenant or any Affiliate of such tenant, demises 20,000 square feet or more of the Property's net rentable square footage.

(f) Notwithstanding anything to the contrary contained herein, to the extent Lender's prior approval is required for any leasing matters set forth in this Section, Lender shall have ten (10) Business Days from receipt of written request and all required information and documentation relating thereto in which to approve or disapprove such matter, provided that such request to Lender is marked in bold lettering with the following language: "LENDER'S RESPONSE IS REQUIRED WITHIN TEN (10) BUSINESS DAYS OF RECEIPT OF THIS NOTICE PURSUANT TO THE TERMS OF A MORTGAGE BETWEEN THE UNDERSIGNED AND LENDER". In the event that Lender fails to respond to the leasing

matter in question within such time, Lender's approval shall be deemed given for all purposes. Borrower shall provide Lender with such information and documentation as may be reasonably required by Lender, including, without limitation, lease comparables and other market information as reasonably required by Lender. Lender shall not be entitled to any fee or reimbursement in connection with any such review and approval process in excess of the reasonable fees or reimbursements customarily charged by lenders or servicers of secondary market loans similar to the Loan for actions similar to the foregoing.

(g) Intentionally Omitted.

(h) Intentionally Omitted.

(i) Within ten (10) Business Days after receipt of written request therefore and a copy of the executed corresponding Lease, Lender shall execute and deliver to Borrower a subordination, non-disturbance and attornment agreement (an "**SNDA**"). If the form of the SNDA shall be prescribed by the Lease in question, and Lender shall have approved (or been deemed to have approved) such Lease, Lender shall execute and deliver the SNDA in the form prescribed by such Lease. In the case of any other Lease or any Lease as to which Lender's approval is not required pursuant to the terms hereof where such tenant thereunder requests an SNDA, the SNDA to be executed and delivered by Lender shall be in substantially the form attached hereto as Exhibit B, as such form may be modified to reflect reasonable changes thereto negotiated by Lender and such tenant. Lender agrees to negotiate in good faith the terms of the SNDA with any tenant under any Lease. All reasonable attorneys' fees and disbursements incurred by Lender in connection with the negotiation of such SNDA shall be payable by Borrower within ten (10) Business Days after Lender's written request therefore, whether or not the SNDA is ultimately executed and/or recorded.

Section 3.8. MAINTENANCE OF PROPERTY. Borrower shall cause the Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed, demolished or materially altered (except for normal replacement of the Personal Property) without the consent of Lender. Without limiting the foregoing, Lender hereby acknowledges that Borrower has informed Lender that Borrower is contemplating developing (for retail purposes) a portion of the Property located to the east of the premises currently demised to Kmart. Borrower shall promptly repair, replace or rebuild any part of the Property which may be destroyed by any casualty, or become damaged, worn or dilapidated or which may be affected by any proceeding of the character referred to in Section 3.6 hereof and shall complete and pay for any structure at any time in the process of construction or repair on the Land. Borrower shall not initiate, join in, acquiesce in, or consent to any change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Property or any part thereof which may have a material adverse affect on the use, operation or value of the Property. If under applicable zoning provisions the use of all or any portion of the Property is or shall become a nonconforming use, Borrower will not cause or permit the nonconforming use to be discontinued or abandoned without the express written consent of Lender.

Section 3.9. WASTE. Borrower shall not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk

of fire or other hazard arising out of the operation of the Property, or take any action that might invalidate or give cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way impair the value of the Property or the security of this Security Instrument. Borrower will not, without the prior written consent of Lender, permit any drilling or exploration for or extraction, removal, or production of any minerals from the surface or the subsurface of the Land, regardless of the depth thereof or the method of mining or extraction thereof.

Section 3.10. COMPLIANCE WITH LAWS. Borrower shall promptly comply with all existing and future federal, state and local laws, orders, ordinances, governmental rules and regulations or court orders affecting or which may be interpreted to affect the Property, or the use thereof ("**Applicable Laws**"). Borrower shall from time to time, upon Lender's request, based on Lender's belief, in the exercise of Lender's reasonable judgment, that the Property is in violation of any Applicable Law, provide Lender with evidence satisfactory to Lender that the Property complies with the Applicable Laws which Lender believes the Property is in violation of or is exempt from compliance with such Applicable Laws. Borrower shall give prompt notice to Lender of the receipt by Borrower of any notice related to a violation of any Applicable Laws and of the commencement of any proceedings or investigations which relate to compliance with Applicable Laws.

Section 3.11. BOOKS AND RECORDS. (a) Borrower shall keep adequate books and records of account in accordance with Borrower's current methods (which such methods are tax basis accounting) or such other method as may be acceptable to Lender in its reasonable discretion, in each case consistently applied (each or any of the foregoing, the "**Approved Accounting Method**") and furnish to Lender:

(i) prior to Securitization (defined below), monthly (but in no event for a period of more than two (2) years from the date hereof) and, thereafter, quarterly, rent rolls signed, dated and certified by Borrower (or an officer, general partner or principal of Borrower if Borrower is not an individual) to be true and complete to the best knowledge of such person, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the base rent and any other charges payable under each Lease and the term of each Lease, including the expiration date, and any other information as is reasonably required by Lender, within thirty (30) days after the end of each calendar month or quarter (as applicable);

(ii) prior to Securitization (defined below), monthly (but in no event for a period of more than two (2) years from the date hereof) and, thereafter, quarterly, operating statements of the Property certified by Borrower (or an officer, general partner or principal of Borrower if Borrower is not an individual) to be true and complete to the best knowledge of such person, detailing the total revenues received, total expenses incurred, total capital expenditures (including, but not limited to, all capital improvements (including, but not limited to, tenant improvements)), leasing commissions and other leasing costs, total debt service and total cash flow, and if available, any quarterly operating statement prepared by an independent certified public accountant, within thirty (30) days after the close of each calendar month or quarter (as applicable); and

(iii) an annual balance sheet and profit and loss statement of Borrower, prepared and certified by Borrower, and, if available, any financial statements prepared by an independent certified public accountant within ninety (90) days after the close of each fiscal year of Borrower.

(b)

(i) Upon request from Lender, Borrower and its affiliates shall furnish to Lender: (1) an accounting of all security deposits held in connection with any Lease of any part of the Property; and (2) an annual operating budget presented on a monthly basis consistent with the annual operating statement described above for the Property and all proposed capital replacements and improvements.

(ii) (A) During the occurrence and continuance of a Cash Management Period (as defined in the Cash Management Agreement dated the date hereof), Lender shall have the right to approve each annual operating budget for the Property, which such budget shall set forth in reasonable detail budgeted monthly operating income and monthly budgeted operating capital and other expenses for the Property. Borrower shall submit to Lender (a) a draft operating budget in form and substance reasonably acceptable to Lender no later than thirty (30) days prior to the commencement of each Fiscal Year (defined below) during the continuance of a Cash Management Period; and (b) a final operating budget in form and substance reasonably acceptable to Lender no later than fifteen (15) days prior to the commencement of each Fiscal Year during the continuance of a Cash Management Period. In no event shall Lender be required to make (or cause to be made) any disbursements from the Borrower Expense Subaccount (as defined in the Cash Management Agreement) until Lender has received the Approved Annual Budget (defined below) for the applicable Fiscal Year. Prior to Lender's approval of a draft operating budget, the most recent Approved Annual Budget shall apply. Any annual operating budget approved by Lender in accordance with the terms hereof shall be referred to as an "**Approved Annual Budget**". Notwithstanding the foregoing, upon the commencement of a Cash Management Period, Lender shall have the right to approve all requests by Borrower for disbursement for operating costs and expenses and Extraordinary Expenses (as defined in the Cash Management Agreement dated the date hereof) pursuant to the terms of such Cash Management Agreement until Lender's approval of the Approved Annual Budget for the immediately succeeding Fiscal Year in accordance with this Subsection 3.11(b)(ii).

(B) Notwithstanding anything to the contrary contained herein, to the extent Lender's prior approval is required for any budget or budget matters set forth in this Section 3.11(b)(ii), Lender shall have ten (10) Business Days from receipt of written request and all required information and documentation relating thereto in which to approve or disapprove such matter, provided that such request to Lender is marked in bold lettering with the following language: "LENDER'S RESPONSE IS REQUIRED WITHIN TEN (10) BUSINESS DAYS OF RECEIPT OF THIS NOTICE (SUBJECT TO LENDER'S RIGHT TO RECEIVE AN EXTENSION NOTICE) PURSUANT TO THE TERMS OF A MORTGAGE BETWEEN THE UNDERSIGNED AND LENDER" and the envelope containing the request must be marked "PRIORITY." Borrower shall be further obligated to send to Lender a subsequent written notice (the "**Extension Notice**") if Lender does not respond to Borrower's initial ten (10) Business Day Notice, which Extension Notice shall not be delivered by Borrower until the expiration of the

initial ten (10) Business Day period set forth above. In the event that Lender fails to respond to the budget or budget matter in question within five (5) Business Days of receipt of the Extension Notice, Lender's approval shall be deemed given for all purposes. Borrower shall provide Lender with such information and documentation as may be reasonably required by Lender.

(c) Borrower and its affiliates shall furnish Lender with such other additional financial or management information as may, from time to time, be reasonably required by Lender.

(d) If requested by Lender, Borrower shall provide Lender with the following financial statements (it being understood that Lender shall request (i) full financial statements only if it anticipates that the principal amount of the Loan at the time of Securitization may, or if the principal amount of the Loan at any time during which the Loan is included in a Securitization does, equals or exceeds 20% of the aggregate principal amount of all mortgage loans included in the Securitization and (ii) summaries of such financial statements only if the principal amount of the Loan at any such time equals or exceeds 10% of such aggregate principal amount):

(i) As of the date of the closing of the Loan (the "**Closing Date**"), a balance sheet with respect to the Property for the two most recent fiscal years of Borrower or Sponsor (each such year, a "**Fiscal Year**"), meeting the requirements of Section 210.3-01 of Regulation S-X of the Securities Act (defined below) and statements of income and statements of cash flows with respect to the Property for the three most recent Fiscal Years, meeting the requirements of Section 210.3-02 of Regulation S-X, and, to the extent that such balance sheet is more than 135 days old as of the Closing Date, interim financial statements of the Property meeting the requirements of Section 210.3-01 and 210.3-02 of Regulation S-X (all of such financial statements, collectively, the "**Standard Statements**"); provided, however, to the extent the Property that has been acquired by Borrower from an unaffiliated third party (an "**Acquired Property**") and as to which the other conditions set forth in Section 210.3-14 of Regulation S-X for the provision of financial statements in accordance with such Section have been met (other than any Property that is a hotel, nursing home or other property that would be deemed to constitute a business and not real estate under Regulation S-X and as to which the other conditions set forth in Section 210.3-05 of Regulation S-X for provision of financial statements in accordance with such Section have been met (a "**Business Property**")), in lieu of the Standard Statements otherwise required by this Section, Borrower shall instead provide the financial statements required by such Section 210.3-14 of Regulation S-X; provided, further, however, with respect to any Business Property which is an Acquired Property, Borrower shall instead provide the financial statements required by Section 210.3-05 (such Section 210.3-14 or Section 210.3-05 financial statements referred to herein as ("**Acquired Property Statements**")).

(ii) Not later than 30 days after the end of each fiscal quarter following the Closing Date, a balance sheet of the Property as of the end of such fiscal quarter, meeting the requirements of Section 210.3-01 of Regulation S-X, and statements of income and statements of cash flows of the Property for the period commencing on the day following the last day of the most recent Fiscal Year and ending on the date of such balance sheet and for the corresponding period of the most recent Fiscal Year, meeting the requirements of Section 210.3-02 of Regulation S-X (provided, that if for such corresponding period of the most recent Fiscal Year

Acquired Property Statements were permitted to be provided hereunder pursuant to paragraph (i) above, Borrower shall instead provide Acquired Property Statements for such corresponding period). If requested by Lender, Borrower shall also provide "summarized financial information," as defined in Section 210.1-02(bb) of Regulation S-X, with respect to such quarterly financial statements.

(iii) Not later than 60 days after the end of each Fiscal Year following the Closing Date, a balance sheet of the Property as of the end of such Fiscal Year, meeting the requirements of Section 210.3-01 of Regulation S-X, and statements of income and statements of cash flows of the Property for such Fiscal Year, meeting the requirements of Section 210.3-02 of Regulation S-X. If requested by Lender, Borrower shall provide summarized financial information with respect to such annual financial statements.

(iv) Within ten (10) Business Days after notice from Lender in connection with the Securitization of this Loan, such additional financial statements, such that, as of the date (each a "**Disclosure Document Date**") of each Disclosure Document (defined below), Borrower shall have provided Lender with all financial statements as described in paragraph (i) above; provided that the Fiscal Year and interim periods for which such financial statements shall be provided shall be determined as of such Disclosure Document Date.

(v) In the event Lender determines, in connection with a Securitization, that the financial statements required in order to comply with Regulation S-X or Applicable Laws are other than as provided herein, then notwithstanding the provisions of this Section, Lender may request, and Borrower shall promptly provide, such combination of Acquired Property Statements and/or Standard Statements as may be necessary for such compliance.

(vi) Any other or additional financial statements, or financial, statistical or operating information, as shall be required pursuant to Regulation S-X or other Applicable Laws in connection with any Disclosure Document or any filing under or pursuant to the Exchange Act in connection with or relating to a Securitization (hereinafter an "**Exchange Act Filing**") or as shall otherwise be reasonably requested by Lender to meet disclosure, Rating Agency or marketing requirements.

(vii) All financial statements provided by Borrower pursuant to this Section shall be prepared in accordance with GAAP, and shall meet the requirements of Regulation S-X and other Applicable Laws. All financial statements relating to a Fiscal Year shall be audited by the independent accountants in accordance with generally accepted auditing standards, Regulation S-X and all other Applicable Laws, shall be accompanied by the manually executed report of the independent accountants thereon, which report shall meet the requirements of Regulation S-X and all other Applicable Laws, and shall be further accompanied by a manually executed written consent of the independent accountants, in form and substance acceptable to Lender, to the inclusion of such financial statements in any Disclosure Document and any Exchange Act Filing and to the use of the name of such independent accountants and the reference to such independent accountants as "experts" in any Disclosure Document and Exchange Act Filing, all of which shall be provided at the same time as the related financial statements are required to be provided. All other financial statements shall be certified by the chief financial officer of Borrower, which certification shall state that such financial statements meet the requirements set forth in the first sentence of this paragraph.

Section 3.12. PAYMENT FOR LABOR AND MATERIALS. Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred in connection with the Property and never permit to exist (subject to Borrower's right to contest any such matter as described below) beyond the due date thereof in respect of the Property or any part thereof any lien or security interest, even though inferior to the liens and the security interests hereof. Nothing contained herein shall, however, affect or impair Borrower's ability to diligently and in good faith contest any lien or bill for labor or materials, provided that any lien placed upon the Property must be fully and irrevocably discharged (by bond or otherwise) at least 30 days prior to the date such lien could otherwise be foreclosed upon pursuant to Applicable Law.

Section 3.13. PERFORMANCE OF OTHER AGREEMENTS. Borrower shall observe and perform each and every term to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property, or given by Borrower to Lender for the purpose of further securing an obligation secured hereby and any amendments, modifications or changes thereto.

Section 3.14. PROPERTY MANAGEMENT.

(a) Borrower shall (i) promptly perform and observe all of the covenants required to be performed and observed by it under the agreement between Manager and Borrower pursuant to which the manager of the Property (the "**Manager**") is employed to perform management services for the Property (the "**Management Agreement**") and do all things necessary to preserve and to keep unimpaired its material rights thereunder; (ii) promptly notify Lender of any default under the Management Agreement of which it is aware; (iii) promptly deliver to Lender a copy of any notice of default or other material notice received by Borrower under the Management Agreement; (iv) promptly give notice to Lender of any notice or information that Borrower receives which indicates that Manager is terminating the Management Agreement or that Manager is otherwise discontinuing its management of the Property; and (v) promptly enforce the performance and observance of all of the material covenants required to be performed and observed by Manager under the Management Agreement. Borrower shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned or delayed): (i) surrender, terminate or cancel the Management Agreement or otherwise replace Manager or enter into any other management agreement with respect to the Property; (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; or (iv) otherwise modify, change, supplement, alter or amend, or waive or release any of its rights and remedies under, the Management Agreement in any material respect. In the event that Borrower replaces Manager at any time during the term of Loan, such Manager shall be a Qualified Manager (defined below).

(b) In the event that (i) an Event of Default occurs and is not cured within the applicable cure period (if any) or waived, (ii) Manager shall become insolvent or a debtor in a proceeding under any applicable Insolvency Laws (as defined in the Note), or (iii) a material

default by Manager has occurred and is continuing under the Management Agreement beyond any applicable grace, notice or cure periods thereunder, then, upon the occurrence of any of the events described in clauses (i) through (iii) above, Borrower shall, at Lender's direction, immediately terminate the Management Agreement and enter into a new property management agreement reasonably acceptable to Lender with a management company reasonably acceptable to Lender, which such new property management company must (i) be a Qualified Manager, (ii) not be an affiliate of, or controlled by, Lender, and (iii) have not provided (nor agreed to provide) Lender (or its affiliates) with any compensation for being so named. In the event Lender directs Borrower to engage a professional third party property manager, then Borrower shall engage such a property manager pursuant to an agreement reasonably acceptable to Lender, and Borrower and such manager shall execute an agreement acceptable to Lender conditionally assigning Borrower's interest in such management agreement to Lender and subordinating manager's right to receive fees and expenses under such agreement while the Debt remains outstanding. In no event shall Lender or Borrower be liable for any termination, severance or other fees to Manager or others resulting from any termination of any property management agreement (including, without limitation the Management Agreement).

(c) As used herein, the term "**Qualified Manager**" shall mean (I) American Assets, Inc. ("**AAI**") (unless such entity is the entity being replaced as property manager), or (II) a reputable and experienced professional management organization (a) which manages, together with its affiliates, at least 2,000,000 square feet of gross leasable area (including all anchor space), exclusive of the Property and (b) approved by Lender, which approval shall not have been unreasonably withheld and for which Lender shall have received (i) written confirmation from the Rating Agencies that the employment of such manager will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization, and (ii) with respect to any Affiliated Manager (defined below), a New Non-Consolidation Opinion (defined below).

Article 4. SPECIAL COVENANTS

Borrower covenants and agrees that:

Section 4.1. PROPERTY USE. The Property shall be used only as a retail shopping center and appurtenant and related uses (and, upon the prior written consent of Lender, which consent shall not be unreasonably withheld, related uses typical of a property such as the Property, and allowed by the Property's zoning classification and all agreements pertaining to the Property) and for no other use without the prior written consent of Lender, which consent may be withheld in Lender's reasonable discretion.

Section 4.2. ERISA. (a) Borrower shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under the Note, this Security Instrument and the Other Security Documents) to be a non exempt (under a statutory or administrative class exemption) prohibited transaction under the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**").

(b) Borrower further covenants and agrees to deliver to Lender such certifications or other evidence from time to time throughout the term of the Security Instrument, as requested by Lender in its reasonable discretion, that (i) Borrower is not an "employee benefit plan" as defined in Section 3(3) of ERISA, or other retirement arrangement, which is subject to Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), or a "governmental plan" within the meaning of Section 3(32) of ERISA; (ii) Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following circumstances is true:

(A) Equity interests in Borrower are publicly offered securities, within the meaning of 29 C.F.R. § 2510.3 101(b)(2);

(B) Less than 25 percent of each outstanding class of equity interests in Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R.§ 2510.3 101(f)(2); or

(C) Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R § 2510.3 101(c) or (e) or an investment company registered under The Investment Company Act of 1940.

Section 4.3. SINGLE PURPOSE ENTITY.

(a) Borrower has not and shall not:

(i) Own any asset or property other than (A) the Property, and (B) incidental personal property necessary for the ownership or operation of the Property.

(ii) Engage in any business other than the ownership, management and operation of the Property or fail to conduct and operate its business as presently conducted and operated.

(iii) Enter into any contract or agreement with any affiliate of Borrower, any constituent party of Borrower or any affiliate of any constituent party, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than any such party.

(iv) Incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (A) with respect to West only, the Refinanced Loan (defined below), (B) the Debt, (C) trade and operational indebtedness incurred in the ordinary course of business with trade creditors, provided such indebtedness is (1) unsecured, (2) not evidenced by a note, (3) on commercially reasonable terms and conditions, and (4) due not more than sixty (60) days past the date incurred and paid on or prior to such date, and/or (D) financing leases and purchase money indebtedness incurred in the ordinary course of business relating to personal property on commercially reasonable terms and conditions; provided however, the aggregate amount of the indebtedness described in (C) and (D) shall not exceed at any time three percent (3%) of the outstanding principal amount of the Debt. No Indebtedness other than the Debt may be secured (subordinate or pari passu) by the Property. As used above, the

"**Refinanced Loan**" shall mean that certain loan made by Wells Fargo Bank, N.A. to West (among others). With respect to the Refinanced Loan, Borrower hereby represents and warrants that (i) the Refinanced Loan was repaid in full with the proceeds of the Loan, and (ii) none of Borrower, American Assets, Inc. ("**Guarantor**") or any constituent party of Borrower has any remaining liabilities or obligations in connection with the Refinanced Loan (other than environmental and other limited and customary indemnity obligations).

(v) Make any loans or advances to any third party (including any affiliate or constituent party) or acquire obligations or securities of its affiliates.

(vi) Fail to remain solvent or fail to pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its assets as the same shall become due.

(vii) Fail to do or caused to be done and will do all things necessary to observe organizational formalities and preserve its existence, or permit any constituent party to amend, modify or otherwise change the partnership certificate, partnership agreement, articles of incorporation and bylaws, operating agreement, trust or other organizational documents of Borrower or such constituent party without the prior consent of Lender in any manner that (i) violates the single purpose covenants set forth in this Section, or (ii) amends, modifies or otherwise changes any provision thereof that by its terms cannot be modified at any time when the Loan is outstanding or by its terms cannot be modified without Lender's consent.

(viii) Fail to maintain all of its books, records, financial statements and bank accounts separate from those of its affiliates and any constituent party. Borrower's assets have not been and will not be listed as assets on the financial statement of any other person or entity, provided, however, that Borrower's assets may be included in a consolidated financial statement of its affiliates provided that (i) appropriate notation shall be made on such consolidated financial statements to indicate the separateness of Borrower and such affiliates and to indicate that Borrower's assets and credit are not available to satisfy the debts and other obligations of such affiliates or any other person or entity and (ii) such assets shall be listed on Borrower's own separate balance sheet. Borrower will file its own tax returns (to the extent Borrower is required to file any such tax returns) and will not file a consolidated federal income tax return with any other person or entity. Borrower shall maintain its books, records, resolutions and agreements as official records.

(ix) Fail to be, or fail to hold itself out to the public as, a legal entity separate and distinct from any other entity (including any affiliate of Borrower or any constituent party of Borrower), fail to correct any known misunderstanding regarding its status as a separate entity, fail to conduct business in its own name, identify itself or any of its affiliates as a division or part of the other, fail to allocate shared expenses (including, without limitation, shared office space and services performed by an employee of an affiliate) among the persons or entities sharing such expenses or fail to maintain and utilize separate stationery, invoices and checks bearing its own name.

(x) Fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(xi) Seek or effect the liquidation, dissolution, winding up, liquidation, consolidation or merger, in whole or in part, of Borrower.

(xii) Commingle the funds and other assets of Borrower with those of any affiliate or constituent party or any other person or entity or fail to hold all of its assets in its own name. Borrower has and will maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any affiliate or constituent party or any other person or entity.

(xiii) Guarantee or become obligated for the debts of any other person or entity or hold itself out to be responsible for or have its credit available to satisfy the debts or obligations of any other person or entity.

(xiv) Fail to conduct its business so that the assumptions made with respect to Borrower in that certain non-consolidation opinion delivered by Solomon Ward Seidenwurm & Smith, LLP in connection with the closing of the Loan (together with any subsequently delivered confirmations or amendments thereto or any subsequent substantive non-consolidation opinions, collectively, the "**Non-Consolidation Opinion**") shall fail to be true and correct in all respects.

(xv) Permit any affiliate or constituent party independent access to its bank accounts.

(xvi) Fail to pay the salaries of its own employees (if any) from its own funds or fail to maintain a sufficient number of employees (if any) in light of its contemplated business operations.

(xvii) Fail to compensate each of its consultants and agents from its funds for services provided to it or fail to pay from its own assets all obligations of any kind incurred.

(xviii) If Borrower is a single member limited liability company, fail to observe all Delaware limited liability company required formalities.

(xix) own any subsidiary, or make any investment in, any person or entity.

(xx) if Borrower is a partnership or limited liability company, without the unanimous written consent of all of its partners or members, as applicable, and the written consent of 100% of the board of directors or managers of Borrower (if Borrower is a Delaware single member limited liability company or a corporation) or each SPE Component Entity (defined below) (if Borrower is an entity other than a Delaware single member limited liability company or a corporation), including, without limitation, each Independent Director (defined below), (a) file or consent to the filing of any petition, either voluntary or involuntary, to take advantage of any applicable Insolvency Laws, (b) seek or consent to the appointment of a receiver, liquidator or any similar official, (c) take any action that might cause such entity to become insolvent, or (d) make an assignment for the benefit of creditors.

(b) If Borrower is a partnership or limited liability company (other than a Delaware single member limited liability company), each general partner in the case of a general partnership, each general partner in the case of a limited partnership, or the managing member in the case of a limited liability company (each an "**SPE Component Entity**") of Borrower, as applicable, shall be a corporation or a Delaware single member limited liability company whose sole asset is its interest in Borrower. Each SPE Component Entity (i) will own at least a 0.5% direct equity interest in Borrower, (ii) will at all times comply with each of the covenants, terms and provisions contained in Section 4.3(a) above, to the extent applicable, as if such representation, warranty or covenant was made directly by such SPE Component Entity; (iii) will not engage in any business or activity other than owning an interest in Borrower; (iv) will not acquire or own any assets other than its partnership, membership, or other equity interest in Borrower; (v) will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation); and (vi) will cause Borrower to comply with the provisions of Section 4.3. Prior to the withdrawal or the disassociation of any SPE Component Entity from Borrower, Borrower shall immediately appoint a new general partner or managing member whose articles of incorporation are substantially similar to those of such SPE Component Entity and deliver a New Non-Consolidation Opinion to Lender and the Rating Agencies with respect to the new SPE Component Entity and its equity owners. Notwithstanding the foregoing, to the extent West or Venture is (1) a single member Delaware limited liability company, or (2) a multiple member Delaware limited liability company whose organization documents contain springing member provisions satisfying the requirements of the Delaware Limited Liability Company Act and are otherwise acceptable to Lender, so long as West or Venture (as applicable) maintains such formation status, no SPE Component Entity shall be required.

(c) (i) The organizational documents of each SPE Component Entity (if any) or Borrower (to the extent Borrower is a Delaware single member limited liability company or a corporation) shall provide that at all times there shall be, and Borrower shall cause there to be, at least one duly appointed members of the board of directors or managers (an "**Independent Director**") of such SPE Component Entity or Borrower (as applicable) reasonably satisfactory to Lender each of whom are not at the time of such individual's initial appointment, and shall not have been at any time during the preceding five (5) years, and shall not be at any time while serving as a director of such SPE Component Entity or Borrower (as applicable), either (i) a shareholder (or other equity owner) of, or an officer, director (other than serving as the Independent Director of any of West, Venture or any SPE Component Entity), partner, manager, member (other than as a Special Member in the case of single member Delaware limited liability companies), employee (other than serving as the Independent Director of any of West, Venture or any SPE Component Entity), attorney or counsel of, Borrower, such SPE Component Entity or any of their respective shareholders, partners, members, subsidiaries or affiliates; (ii) a customer or creditor of, or supplier to, Borrower or any of its respective shareholders, partners, members, subsidiaries or affiliates who derives any of its purchases or revenue from its activities with Borrower or such SPE Component Entity or any affiliate of any of them (other than in such person's employment as the Independent Director of any of West, Venture or any SPE Component Entity); (iii) a Person who Controls (defined below) or is under common Control with any such shareholder, officer, director, partner, manager, member, employee, supplier, creditor or customer; or (iv) a member of the immediate family of any such shareholder, officer, director, partner, manager, member, employee, supplier, creditor or customer. Notwithstanding the foregoing, a person who serves as an independent director for affiliates of Borrower may

serve as an Independent Director so long as (A) such person is appointed by a nationally recognized provider of independent directors (such as CT Corporation) or (B) such person derives less than 5% of their total annual income from their service as independent director for Borrower and each applicable affiliate of Borrower.

(ii) The organizational documents of each SPE Component Entity (if any) or Borrower (as applicable) shall provide that the board of directors or board of managers of such SPE Component Entity or Borrower (as applicable) shall not take any action which, under the terms of any certificate of incorporation, by-laws or any voting trust agreement with respect to any common stock, requires an unanimous vote of the board of directors or managers of such SPE Component Entity or Borrower (as applicable) unless at the time of such action there shall be at least one member of the board of directors or managers who is an Independent Director. Such SPE Component Entity or Borrower (as applicable) will not, without the unanimous written consent of its board of directors or managers including each Independent Director, on behalf of itself or Borrower, (i) file or consent to the filing of any petition, either voluntary or involuntary, to take advantage of any applicable Insolvency Laws; (ii) seek or consent to the appointment of a receiver, liquidator or any similar official; (iii) take any action that might cause such entity to become insolvent; or (iv) make an assignment for the benefit of creditors.

(d) (I) In the event Borrower or any SPE Component Entity is a single member Delaware limited liability company, the limited liability company agreement of Borrower or such SPE Component Entity (as applicable) (the "**LLC Agreement**") shall provide that (i) upon the occurrence of any event that causes the sole member of Borrower or such SPE Component Entity (as applicable) ("**Member**") to cease to be the member of Borrower or such SPE Component Entity (as applicable) (other than (A) upon an assignment by Member of all of its limited liability company interest in Borrower or such SPE Component Entity (as applicable) and the admission of the transferee in accordance with the Loan Documents and the LLC Agreement, or (B) the resignation of Member and the admission of an additional member of Borrower or such SPE Component Entity (as applicable) in accordance with the terms of the Loan Documents and the LLC Agreement), any person acting as Independent Director of Borrower or such SPE Component Entity (as applicable) shall, without any action of any other Person and simultaneously with the Member ceasing to be the member of Borrower or such SPE Component Entity (as applicable), automatically be admitted to Borrower or such SPE Component Entity (as applicable) ("**Special Member**") and shall continue Borrower or such SPE Component Entity (as applicable) without dissolution and (ii) Special Member may not resign from Borrower or such SPE Component Entity (as applicable) or transfer its rights as Special Member unless (A) a successor Special Member has been admitted to Borrower or such SPE Component Entity (as applicable) as Special Member in accordance with requirements of Delaware law and (B) such successor Special Member has also accepted its appointment as an Independent Director. The LLC Agreement shall further provide that (i) Special Member shall automatically cease to be a member of Borrower or such SPE Component Entity (as applicable) upon the admission to Borrower or such SPE Component Entity (as applicable) of a substitute Member, (ii) Special Member shall be a member of Borrower or such SPE Component Entity (as applicable) that has no interest in the profits, losses and capital of Borrower or such SPE Component Entity (as applicable) and has no right to receive any distributions of Borrower or such SPE Component Entity (as applicable) assets, (iii) pursuant to Section 18-301 of the Delaware Limited Liability Company Act (the "**Act**"), Special Member shall not be required to make any capital

contributions to Borrower or such SPE Component Entity (as applicable) and shall not receive a limited liability company interest in Borrower or such SPE Component Entity (as applicable), (iv) Special Member, in its capacity as Special Member, may not bind Borrower or such SPE Component Entity (as applicable) and (v) except as required by any mandatory provision of the Act, Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, Borrower or such SPE Component Entity (as applicable), including, without limitation, the merger, consolidation or conversion of Borrower or such SPE Component Entity (as applicable); provided, however, such prohibition shall not limit the obligations of Special Member, in its capacity as Independent Director, to vote on such matters required by the Loan Documents or the LLC Agreement. In order to implement the admission to Borrower or such SPE Component Entity (as applicable) of Special Member, Special Member shall execute a counterpart to the LLC Agreement. Prior to its admission to Borrower or such SPE Component Entity (as applicable) as Special Member, Special Member shall not be a member of Borrower or such SPE Component Entity (as applicable).

(II) Upon the occurrence of any event that causes the Member to cease to be a member of Borrower or such SPE Component Entity (as applicable), to the fullest extent permitted by law, the personal representative of Member shall, within ninety (90) days after the occurrence of the event that terminated the continued membership of Member in Borrower or such SPE Component Entity (as applicable), agree in writing (i) to continue Borrower or such SPE Component Entity (as applicable) and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of Borrower or such SPE Component Entity (as applicable), effective as of the occurrence of the event that terminated the continued membership of Member of Borrower or such SPE Component Entity (as applicable) in Borrower or such SPE Component Entity (as applicable). Any action initiated by or brought against Member or Special Member under any applicable Insolvency Laws shall not cause Member or Special Member to cease to be a member of Borrower or such SPE Component Entity (as applicable) and upon the occurrence of such an event, the business of Borrower or such SPE Component Entity (as applicable) shall continue without dissolution. The LLC Agreement shall provide that each of Member and Special Member waives any right it might have to agree in writing to dissolve Borrower or such SPE Component Entity (as applicable) upon the occurrence of any action initiated by or brought against Member or Special Member under any applicable Insolvency Laws, or the occurrence of an event that causes Member or Special Member to cease to be a member of Borrower or such SPE Component Entity (as applicable).

(e) Borrower shall not change or permit to be changed (a) Borrower’s name, (b) Borrower’s identity (including its trade name or names), (c) Borrower’s principal place of business set forth on the first page of this Security Instrument, (d) the corporate, partnership or other organizational structure of Borrower, each SPE Component Entity (if any), or Guarantor, (e) Borrower’s state of organization, or (f) Borrower’s organizational identification number, without in each case notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in Borrower’s structure, without first obtaining the prior written consent of Lender. In addition, Borrower shall not change or permit to be changed any organizational documents of Borrower or any SPE Component Entity (if any) if such change would adversely impact the covenants set forth in this Section 4.3. Borrower authorizes Lender to file any financing statement or financing statement amendment

required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein. At the request of Lender, Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which Borrower intends to operate the Property, and representing and warranting that Borrower does business under no other trade name with respect to the Property. If Borrower does not now have an organizational identification number and later obtains one, or if the organizational identification number assigned to Borrower subsequently changes, Borrower shall promptly notify Lender of such organizational identification number or change.

(f) Notwithstanding anything to the contrary contained herein, upon written notice from Lender following the occurrence and during the continuance of an Additional Director Trigger Event (hereafter defined), Borrower shall amend its own (or any SPE Component Entity's (as applicable)) organizational documents to require the appointment and maintenance of no less than two (2) Independent Directors for Borrower or such SPE Component Entity (as applicable) for the remaining term of the Loan. Thereafter and during the continuance of an Independent Director Trigger Event, any provision herein relating to any Independent Director shall be deemed to relate to both Independent Directors (for example (and by way of illustration only), any provision herein (i) requiring that an Independent Director be in place for any vote to be effective shall require that both Independent Directors be in place for such vote to be effective or (ii) requiring the vote of the Independent Director shall require the vote of both Independent Directors). Borrower shall cause its (or the applicable SPE Component Entity's) organizational documents to be amended to be consistent with the foregoing. Borrower's compliance with the foregoing shall be at Borrower's sole cost and expense. Failure of Borrower to comply with this subsection (f) shall, at Lender's option, constitute an immediate Event of Default. As used herein, the term "**Additional Director Trigger Event**" shall mean an event (i) occurring upon the Debt Service Coverage Ratio falling below 1.25 to 1.00 and (ii) ending upon the Debt Service Coverage Ratio being in excess of 1.25 to 1.00 for four (4) consecutive calendar quarters. For the purposes hereof, the Debt Service Coverage Ratio shall be calculated monthly as of the first day of each calendar month.

(g) Intentionally Omitted.

Section 4.4. RESTORATION AFTER CASUALTY/CONDEMNATION. In the event of a casualty or a taking by eminent domain, the following provisions shall apply in connection with the Restoration of the Property:

(a) If the Net Proceeds (defined below) shall be less than the amount equal to five percent (5%) of the original aggregate principal amount of the Loan (the "**Threshold Amount**") and the costs of completing the Restoration shall be less than the Threshold Amount, the Net Proceeds will be disbursed by Lender to Borrower upon receipt, provided that all of the conditions set forth in Subsection 4.4(b)(i) are met and Borrower delivers to Lender a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Security Instrument.

(b) If the Net Proceeds are equal to or greater than the Threshold Amount or the costs of completing the Restoration is equal to or greater than the Threshold Amount, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this

Subsection 4.4(b). The term "**Net Proceeds**" for purposes of this Section 4.4 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Subsection 3.3(a)(i), (iii), (iv) and (x) of this Security Instrument as a result of such damage or destruction, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same or (ii) the net amount of all awards and payments received by Lender with respect to a taking referenced in Section 3.6 of this Security Instrument, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same, whichever the case may be.

(i) The Net Proceeds shall be made available to Borrower for the Restoration provided that each of the following conditions are met: (A) no Event of Default shall be continuing under the Note, this Security Instrument or any of the Other Security Documents or an event which after the passage of time or the giving of notice would constitute an Event of Default; (B) Borrower shall deliver or cause to be delivered to Lender a signed detailed budget approved in writing by Borrower's architect or engineer stating the entire cost of completing the Restoration, reasonably satisfactory to Lender; (C) the Net Proceeds together with any cash or cash equivalent deposited by Borrower with Lender are sufficient in Lender's reasonable discretion to cover the cost of the Restoration; (D) Borrower shall deliver to Lender, at its expense, the insurance set forth in Subsection 3.3(a)(iii) hereof; (E) Borrower shall commence the Restoration as soon as reasonably practicable and shall diligently pursue the same to satisfactory completion; (F) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note at the Applicable Interest Rate (as defined in the Note), which will be incurred with respect to the Property as a result of the occurrence of any such fire or other casualty or taking, whichever the case may be, will be covered out of (1) the Net Proceeds, (2) the insurance coverage referred to in Subsection 3.3(a)(ii), if applicable, or (3) by other funds of Borrower which are deposited with Lender prior to the commencement of the Restoration; (G) Lender shall be satisfied that, upon the completion of the Restoration and following a rent-up period from the time such Restoration is complete through the date which is three (3) months prior to the expiration of the rental loss insurance coverage maintained by Borrower pursuant to Section 3.3(a)(ii) above, the (1) fair market value of the Property, as reasonably determined by Lender, is equal to or greater than the fair market value of the Property immediately prior to the casualty or condemnation, and (2) gross cash flow and the net cash flow of the Property will be restored to a level sufficient to cover all carrying costs and operating expenses of the Property, including, without limitation, a Debt Service Coverage Ratio of at least 1.00 to 1.00; (H) Lender shall be reasonably satisfied that the Restoration will be completed on or before the earliest to occur of (1) six (6) months prior to the Maturity Date (as defined in the Note), (2) one (1) year after the occurrence of such fire or other casualty or taking, whichever the case may be, or (3) such time as may be required under applicable zoning law, ordinance, rule or regulation in order to repair and restore the Property to the condition it was in immediately prior to such fire or other casualty or to as nearly as possible the condition it was in immediately prior to such taking, as applicable; (I) the Property and the use thereof after the Restoration will be in compliance with and permitted under all applicable zoning laws, ordinances, rules and regulations; (J) the Restoration shall be done and completed by Borrower in an expeditious and diligent fashion and in compliance with all applicable governmental laws, rules and regulations (including, without limitation, all applicable Environmental Laws (defined below)); (K) such fire or other casualty or taking, as applicable, does not result in the loss of access to the Property or the Improvements; (L) (1) in the event the

Net Proceeds are insurance proceeds, less than thirty-five percent (35%) of each of (i) fair market value of the Property as reasonably determined by Lender, and (ii) rentable area of the Property has been damaged, destroyed or rendered unusable as a result of a casualty or (2) in the event the Net Proceeds are condemnation proceeds, less than fifteen percent (15%) of each of (i) the fair market value of the Property as reasonably determined by Lender and (ii) rentable area of the Property is taken and such land is located along the perimeter or periphery of the Property; and (M) the Required Leases (defined below) shall remain in full force and effect during and after the completion of the Restoration. Lender agrees to use due diligence and good faith efforts to process its determination of Borrower's compliance with the requirements of this Paragraph 4.4(b)(i) as promptly as possible, recognizing the need for a quick determination in order to avoid delay in Restoration of the Property. As used above, the term "**Required Leases**" shall mean Leases encumbering, in the aggregate, 65% of the rentable square footage at the Property.

(ii) The Net Proceeds shall be held by Lender, and until disbursed in accordance with the provisions of this Subsection 4.4(b), shall constitute additional security for the Obligations. The Net Proceeds shall be disbursed by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, upon receipt of evidence reasonably satisfactory to Lender that (A) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the Restoration have been paid for in full, and (B) there exist no notices of pendency, stop orders, mechanic's or materialmen's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the Property arising out of the Restoration which have not either been fully bonded to the reasonable satisfaction of Lender and discharged of record or in the alternative fully insured to the reasonable satisfaction of Lender by the title company insuring the lien of this Security Instrument.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior reasonable review and acceptance in all respects by Lender and by an independent consulting engineer selected by Lender (the "**Casualty Consultant**"). Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to prior reasonable review and acceptance by Lender and the Casualty Consultant. All reasonable costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration including, without limitation, reasonable counsel fees and disbursements and the Casualty Consultant's fees, shall be paid by Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Casualty Consultant, minus the Casualty Retainage. The term "**Casualty Retainage**" as used in this Subsection 4.4(b) shall mean an amount equal to 10% of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant, until such time as the Casualty Consultant certifies to Lender that 50% of the required Restoration has been completed. There shall be no Casualty Retainage with respect to costs actually incurred by Borrower for work in place in completing the last 50% of the required Restoration. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Subsection 4.4(b), be less than

the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.4(b) and that all approvals necessary for the re occupancy and use of the Property have been obtained from all appropriate governmental and quasi governmental authorities, and Lender receives evidence reasonably satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage, provided, however, that Lender will release the portion of the Casualty Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Casualty Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, and the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company insuring the lien of this Security Instrument. If required by Lender, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender, be sufficient to pay in full the balance of the costs which are estimated by the Casualty Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "**Net Proceeds Deficiency**") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Subsection 4.4(b) shall constitute additional security for the Obligations.

(vii) With respect to Restorations related to casualties, the excess, if any, of the Net Proceeds, and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.4(b), and the receipt by Lender of evidence reasonably satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Security Instrument or any of the Other Security Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Subsection 4.4(b)(vii) may, at Lender's election, be retained and applied by Lender toward the payment of the principal balance of the Debt whether or not then due and payable, either in whole or in part, or disbursed to Borrower. If Lender shall receive and retain Net Proceeds, as permitted above, the lien of this Security Instrument shall be reduced only by the amount thereof received and retained by Lender

and actually applied by Lender in reduction of the Debt. Notwithstanding the foregoing, if Lender does not make the Net Proceeds available for Restoration and such Net Proceeds are received by Lender in connection with a casualty or condemnation to the Property, Lender shall allow Borrower to prepay the Debt in whole (but not in part) without penalty, provided, that, such prepayment is made by Borrower by no later than the date which is six (6) months prior to the expiration of the rental loss insurance coverage maintained by Borrower pursuant to Section 3.3(a)(ii) above.

Section 4.5. INTENTIONALLY OMITTED.

Section 4.6. TIC AGREEMENT COVENANTS. Until such time as this Security Instrument is released or reconveyed in connection with the repayment of the Debt or such time as the Loan is defeased in full in accordance with the applicable terms and conditions of the Note or such time as Borrowers cease to be tenants-in-common pursuant to a transfer permitted by this Security Instrument, each of West and Venture hereby covenant and agree that:

(a) they shall each pay all sums required to be paid under the TIC Agreement pursuant to the provisions thereof;

(b) they shall each diligently perform and observe all of the terms, covenants and conditions of the TIC Agreement;

(c) they shall not, without the prior consent of Lender, surrender the interest in the Property created by the TIC Agreement or terminate or cancel the TIC Agreement or modify, change, supplement, alter or amend the TIC Agreement (either orally or in writing) in any material respect;

(d) neither West nor Venture shall institute or prosecute (nor shall West or Venture permit any other person or entity to institute or prosecute) an Action for Partition (defined below);

(e) each of West and Venture hereby waive each of their respective rights to an Action for Partition under the TIC Agreement and under Applicable Law;

(f) notwithstanding (but in no way abrogating or otherwise waiving) the foregoing, if any Action for Partition is brought by either West or Venture, the other party shall purchase West's or Venture's (as applicable) tenancy in common interest in the Property at fair market value;

(g) in the event that the purchase described in subclause (f) shall fail to occur within fifteen (15) Business Days of the occurrence of the aforesaid Action for Partition (or such shorter time period as may be required for this subsection (g) to become effective immediately prior to the consummation of such Action for Partition), Sponsor (through an entity which Sponsor Controls, owns at least a 51% direct or indirect equity interest and which satisfies the criteria set forth in Section 4.3 hereof for single purpose, bankruptcy remote entities) shall purchase such interest at fair market value;

(h) in the event that the purchase described in subclauses (f) or (g) shall occur, the purchasing entity shall execute any documents or instruments reasonably requested by Lender (and shall provide such opinions, title endorsements or other documents or instruments reasonably requested by Lender) to affirm and/or assume the Loan and such entity's respective obligations thereunder;

(i) (1) any lien rights, indemnity rights, rights of subrogation or rights of first offer, first refusal or other rights to purchase or other similar rights inuring to West, Venture, Manager or any other person or entity under the TIC Agreement or Applicable Law are subject and subordinate to the Loan and the Loan Documents and Lender's rights thereunder and (2) with respect to the aforesaid rights (other than rights to payment from the cash flow of the Property), each applicable person or entity (including, without limitation, West and/or Venture) agrees to waive the same or "standstill" with respect to the enforcement of the same until such time as this Security Instrument is released or reconveyed in connection with the repayment of the Debt or such time as the Loan is defeased in full in accordance with the applicable terms and conditions of the Note; and

(j) the sale or issuance of any tenancy in common interests pursuant to the TIC Agreement will not violate any applicable provisions of the Securities Act or the Exchange Act or any other Applicable Law.

With respect to the foregoing covenants, Lender hereby acknowledges and agrees that the same are (i) restrictions customarily imposed by Lender in connection with commercial loans similar to the Loan and (ii) are intended to be restrictions which are "consistent with customary commercial lending practices" within the meaning of the applicable provisions of Revenue Procedure 2002-22. The foregoing covenants shall only be deemed to apply to West and Venture so long as they are parties to the TIC Agreement and such covenants shall cease to bind West and/or Venture (as applicable) at such time as West or Venture ceases to be a party to the TIC Agreement as a result of a transfer permitted under Section 8.4 below.

Article 5. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that:

Section 5.1. WARRANTY OF TITLE. Borrower has good title to the Property and has the right to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the same, and that Borrower possesses an unencumbered fee simple absolute in the Land and the Improvements, and that it owns the Property free and clear of all liens, encumbrances and charges whatsoever except for those exceptions (other than standard printed exceptions) shown in the title insurance policy insuring the lien of this Security Instrument (the "**Permitted Exceptions**"). Borrower shall forever warrant, defend and preserve the title and the validity and priority of the lien of this Security Instrument and shall forever warrant and defend the same to Lender against the claims of all persons whomsoever. Borrower hereby represents and warrants that none of the Permitted Exceptions will materially and adversely affect the ability of the Borrower to pay in full the Loan, the use of the Property for the use currently being made thereof, the operation of the Property or the value thereof.

Section 5.2. AUTHORITY. Borrower (and the undersigned representative of Borrower, if any) has full power, authority and legal right to execute this Security Instrument, and to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the Property pursuant to the terms hereof and to keep and observe all of the terms of this Security Instrument on Borrower's part to be performed.

Section 5.3. LEGAL STATUS AND AUTHORITY. Borrower (a) is duly organized, validly existing and in good standing under the laws of its state of organization or incorporation; (b) is duly qualified to transact business and is in good standing in the State where the Property is located; and (c) has all necessary approvals, governmental and otherwise, and full power and authority to own the Property and carry on its business as now conducted and proposed to be conducted. Borrower now has and shall continue to have the full right, power and authority to operate and lease the Property, to encumber the Property as provided herein and to perform all of the other obligations to be performed by Borrower under the Note, this Security Instrument and the Other Security Documents. Borrower's exact legal name and Borrower's organization identification number assigned by its state of formation, if any, is correctly set forth on the first page of this Security Instrument.

Section 5.4. VALIDITY OF DOCUMENTS. The execution, delivery and performance of the Note, this Security Instrument and the Other Security Documents and the borrowing evidenced by the Note (i) are within the corporate/partnership/limited liability company (as the case may be) power of Borrower; (ii) have been authorized by all requisite corporate/partnership/limited liability company (as the case may be) action; (iii) have received all necessary approvals and consents, corporate, governmental or otherwise; (iv) will not violate, conflict with, result in a breach of or constitute (with notice or lapse of time, or both) a default under any provision of law, any order or judgment of any court or governmental authority, the articles of incorporation, by laws, partnership, trust or operating agreement, or other governing instrument of Borrower, or any indenture, agreement or other instrument to which Borrower is a party or by which it or any of its assets or the Property is or may be bound or affected; (v) will not result in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of its assets, except the lien and security interest created hereby; and (vi) will not require any authorization or license from, or any filing with, any governmental or other body (except for the recordation of this instrument in appropriate land records in the State where the Property is located and except for Uniform Commercial Code filings relating to the security interest created hereby).

Section 5.5. LITIGATION. There is no action, suit or proceeding (including any condemnation or similar proceeding), or any governmental investigation or any arbitration, in each case pending or, to the knowledge of Borrower, threatened against Borrower or the Property before any governmental or administrative body, agency or official which (i) challenges the validity of this Security Instrument, the Note or any of the Other Security Documents or the authority of Borrower to enter into this Security Instrument, the Note or any of the Other Security Documents or to perform the transactions contemplated hereby or thereby or (ii) if adversely determined would have a material adverse effect on the occupancy of the Property or the business, financial condition or results of operations of Borrower or the Property.

Section 5.6. STATUS OF PROPERTY. (a) No portion of the Improvements is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended, or any successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.3 hereof, if required under the terms of that section.

(b) Borrower has obtained all necessary certificates, licenses and other approvals, governmental and otherwise, necessary for the operation of the Property and the conduct of its business and all required zoning, building code, land use, environmental and other similar permits or approvals, all of which are in full force and effect as of the date hereof and not subject to revocation, suspension, forfeiture or modification.

(c) The Property and the present and contemplated use and occupancy thereof are in compliance in all material respects with all applicable zoning ordinances, building codes, land use and environmental laws and other similar laws.

(d) The Property is served by all utilities required for the current or contemplated use thereof. All utility service is provided by public utilities and the Property has accepted or is equipped to accept such utility service.

(e) All public roads and streets necessary for service of and access to the Property for the current or contemplated use thereof have been completed, are serviceable and all weather and are physically and legally open for use by the public.

(f) The Property is served by public water and sewer systems.

(g) The Property is free from damage caused by fire or other casualty.

(h) All costs and expenses of any and all labor, materials, supplies and equipment used in the construction of the Improvements have been paid in full.

(i) Borrower has paid in full for, and is the owner of, all furnishings, fixtures and equipment (other than tenants' property and any trash compactors which are used under a lease) used in connection with the operation of the Property, free and clear of any and all security interests, liens or encumbrances, except the lien and security interest created hereby.

(j) All liquid and solid waste disposal, septic and sewer systems located on the Property are in a good and safe condition and repair and in compliance with all Applicable Laws.

Section 5.7. NO FOREIGN PERSON. Borrower is not a "foreign person" within the meaning of Sections 1445(f)(3) of the Code and the related Treasury Department regulations, including temporary regulations.

Section 5.8. SEPARATE TAX LOT. The Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements is assessed and taxed together with the Property or any portion thereof.

Section 5.9. ERISA COMPLIANCE. (a) As of the date hereof and throughout the term of this Security Instrument, (i) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of ERISA, or other retirement arrangement, which is subject to Title I of ERISA or Section 4975 of the Code, and (ii) the assets of Borrower do not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA or Section 4975 of the Code; and

(b) As of the date hereof and throughout the term of this Security Instrument (i) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(32) of ERISA and (ii) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to governmental plans.

Section 5.10. LEASES. (a) Borrower is the sole owner of the entire lessor's interest in the Leases; (b) the Leases are valid and enforceable; (c) the terms of all alterations, modifications and amendments to the Leases are reflected in the certified rent roll delivered to and approved by Lender; (d) none of the Rents reserved in the Leases have been assigned or otherwise pledged or hypothecated; (e) none of the Rents have been collected for more than one (1) month in advance; (f) the premises demised under the Leases have been completed for the tenants who have accepted and have taken possession of the same on a rent paying basis; (g) to the best of Borrower's knowledge (which for purposes hereof will mean the actual knowledge of John Chamberlain and Chris Sullivan, and their respective successors), there exist no offsets or defenses to the payment of any portion of the Rents; and (h) the number and type of parking spaces available at the Property as of the date hereof satisfy any applicable requirements relating thereto contained in the Leases.

Section 5.11. FINANCIAL CONDITION. (a) Borrower is solvent, and no bankruptcy, reorganization, insolvency or similar proceeding under any state or federal law with respect to Borrower has been initiated, and (b) Borrower has received reasonably equivalent value for the granting of this Security Instrument. Borrower has not entered into the Loan or any Loan Document with the actual intent to hinder, delay, or defraud any creditors.

Section 5.12. BUSINESS PURPOSES. The loan evidenced by the Note is solely for the business purpose of Borrower, and is not for personal, family, household, or agricultural purposes.

Section 5.13. TAXES. Borrower has filed all federal, state, county, municipal, and city income and other tax returns required to have been filed by them and have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Borrower does not know of any basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

Section 5.14. MAILING ADDRESSES. Borrower's mailing address, as set forth in the opening paragraph hereof or as changed in accordance with the provisions hereof, is true and correct.

Section 5.15. NO CHANGE IN FACTS OR CIRCUMSTANCES. All information submitted to Lender in connection with any request by Borrower for the loan evidenced by the Note and/or any letter of application, preliminary commitment letter, final commitment letter or other application or letter of intent (including, but not limited to, all financial statements, rent rolls, reports and certificates) were accurate, complete and correct in all respects when delivered. There has been no adverse change in any condition, fact, circumstance or event that would make any such information inaccurate, incomplete or otherwise misleading.

Section 5.16. DISCLOSURE. To the best of Borrower's knowledge (which for purposes hereof will mean the actual knowledge of John Chamberlain and Chris Sullivan, and their respective successors), Borrower has disclosed to Lender all material facts and has not failed to disclose any material fact that could cause any representation or warranty made herein to be materially misleading.

Section 5.17. LETTER-OF-CREDIT RIGHTS. If Borrower is at any time a beneficiary under a letter of credit relating to the properties, rights, titles and interests referenced in Section 1.1 of this Security Instrument now or hereafter issued in favor of Borrower, Borrower shall promptly notify Lender thereof and, at the request and option of Lender, Borrower shall, pursuant to an agreement in form and substance satisfactory to Lender, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to Lender of the proceeds of any drawing under the letter of credit or (ii) arrange for Lender to become the transferee beneficiary of the letter of credit, with Lender agreeing in each case that upon an Event of Default, the proceeds of any drawing under the letter of credit are to be applied as provided in Section 11.2 of this Security Agreement.

Section 5.18. AUTHORIZATION TO FILE FINANCING STATEMENTS, POWER OF ATTORNEY. Borrower hereby authorizes Lender at any time and from time to time to file any initial financing statements, amendments thereto and continuation statements with or without the signature of Borrower as authorized by Applicable Law, as applicable to all or part of the fixtures or Personal Property. For purposes of such filings, Borrower agrees to furnish any information requested by Lender promptly upon request by Lender. Borrower also ratifies its authorization for Lender to have filed any like initial financing statements, amendments thereto and continuation statements, if filed prior to the date of this Security Instrument. Borrower hereby irrevocably constitutes and appoints Lender and any officer or agent of Lender, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of Borrower or in Borrower's own name to execute in Borrower's name any documents and otherwise to carry out the purposes of this Section 5.18, to the extent that Borrower authorization above is not sufficient. To the extent permitted by law, Borrower hereby ratifies all acts said attorneys-in-fact have lawfully done in the past or shall lawfully do or cause to be in the future by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable.

Section 5.19. INTENTIONALLY OMITTED.

Section 5.20. TIC AGREEMENT REPRESENTATIONS. (a) The TIC Agreement is in full force and effect and has not been modified or amended in any manner whatsoever; (b) there are no material defaults under the TIC Agreement and no event has occurred which but for the

passage of time, or notice, or both would constitute a material default under the TIC Agreement, (c) all sums due and payable (if any) under the TIC Agreement as of the date hereof have been paid in full; and (d) neither West nor Venture (nor, to the knowledge of West and/or Venture, any other person or entity) has (i) commenced any action or given or received any notice for the purpose of terminating the TIC Agreement, or (ii) instituted or prosecuted any action for partition of the Property (or any portion thereof or interest therein) or any similar action pursuant to the TIC Agreement or any other contractual agreement or instrument or under Applicable Law (including, without limitation, common law) (any such action, the "**Action for Partition**").

Article 6. OBLIGATIONS AND RELIANCES

Section 6.1. RELATIONSHIP OF BORROWER AND LENDER. The relationship between Borrower and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with Borrower, and no term or condition of any of the Note, this Security Instrument and the Other Security Documents shall be construed so as to deem the relationship between Borrower and Lender to be other than that of debtor and creditor.

Section 6.2. NO RELIANCE ON LENDER. The general partners, shareholders, members, principals or other beneficial owners of Borrower are experienced in the ownership and operation of properties similar to the Property, and Borrower and Lender are relying solely upon such expertise and business plan in connection with the ownership and operation of the Property. Borrower is not relying on Lender's expertise, business acumen or advice in connection with the Property.

Section 6.3. NO LENDER OBLIGATIONS. (a) Notwithstanding any of the provisions of this Security Instrument (including, but not limited to, the provisions of Subsections 1.1(f) and (l), Section 1.2 or Section 3.7), Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Security Instrument, the Note or the Other Security Documents, including without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

Section 6.4. RELIANCE. Borrower recognizes and acknowledges that in accepting the Note, this Security Instrument and the Other Security Documents, Lender is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in Article 5 without any obligation to investigate the Property and notwithstanding any investigation of the Property by Lender; that such reliance existed on the part of Lender prior to the date hereof; that the warranties and representations are a material inducement to Lender in accepting the Note, this Security Instrument and the Other Security Documents; and that Lender would not be willing to make the loan evidenced by the Note, this Security Instrument and the Other Security Documents and accept this Security Instrument in the absence of the warranties and representations as set forth in Article 5.

Article 7. FURTHER ASSURANCES

Section 7.1. RECORDING OF SECURITY INSTRUMENT, ETC. Borrower forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the Other Security Documents creating a lien or security interest or evidencing the lien hereof upon the Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, the Property. Borrower will pay all taxes, filing, registration or recording fees, and all expenses (the "**Expenses**") incident to the preparation, execution, acknowledgment and/or recording of the Note, this Security Instrument, the Other Security Documents, any note or mortgage supplemental hereto, any security instrument with respect to the Property and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Security Instrument, any mortgage supplemental hereto, any security instrument with respect to the Property or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law to do so.

Section 7.2. FURTHER ACTS, ETC. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as Lender shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument, or for complying with all Applicable Laws. Borrower, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Lender in the Property. Borrower grants to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender pursuant to this Section 7.2.

Section 7.3. CHANGES IN TAX, DEBT, CREDIT AND DOCUMENTARY STAMP LAWS. (a) If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Debt from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender's interest in the Property, Borrower will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrower would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury, then Lender shall have the option by written notice of not less than ninety (90) days to declare the Debt immediately due and payable.

(b) Borrower will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Taxes or Other Charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, this Security Instrument, or any of the Other Security Documents or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

Section 7.4. ESTOPPEL CERTIFICATES. (a) After request by Lender, Borrower, within ten (10) Business Days, shall furnish Lender or any proposed assignee or Investor (as defined in Section 19.1) with a statement, duly acknowledged and certified, setting forth (i) the amount of the original principal amount of the Loan, (ii) the unpaid principal amount of each individual promissory note comprising the defined term "Note" hereunder (each such promissory note, an "**Individual Note**"), (iii) the rate of interest of the Note, (iv) the terms of payment and maturity date of each Individual Note, (v) the date installments of interest and/or principal were last paid, (vi) that, except as provided in such statement, Borrower has no actual knowledge (which for purposes hereof will mean the actual knowledge of John Chamberlain and Chris Sullivan, and their respective successors) of any defaults or events which with the passage of time or the giving of notice or both, would constitute an event of default under the Note or the Security Instrument, (vii) that the Note and this Security Instrument are valid, legal and binding obligations (except as may be limited by (A) bankruptcy, insolvency or other similar laws affecting the rights of creditors generally and (B) general principles of equity) and have not been modified or if modified, giving particulars of such modification, (viii) whether, to Borrower's actual knowledge (which for purposes hereof will mean the actual knowledge of John Chamberlain and Chris Sullivan, and their respective successors), any offsets or defenses exist against the obligations secured hereby and, if any are alleged to exist, a detailed description thereof, (ix) that all Leases are in full force and effect, (x) the date to which the Rents thereunder have been paid pursuant to the Leases, (xi) whether or not, to the actual knowledge (which for purposes hereof will mean the actual knowledge of John Chamberlain and Chris Sullivan, and their respective successors), of Borrower, any of the lessees under the Leases are in default under the Leases, and, if any of the aforesaid lessees are in default, setting forth the specific nature of all such defaults, (xii) the amount of security deposits held by Borrower under each Lease and that such amounts are consistent with the amounts required under each Lease, and (xiii) as to any other factual matters reasonably requested by Lender and reasonably related to the Leases, the obligations secured hereby, the Property or this Security Instrument.

(b) Borrower shall use its commercially reasonable best efforts to deliver to Lender, promptly upon request (provided such request is not made more than once in any calendar year other than any request by Lender made in connection with the securitization of the Loan or

following an Event of Default), duly executed estoppel certificates from any one or more lessees as required by Lender attesting to such facts regarding the Lease as Lender may require, including but not limited to attestations that each Lease covered thereby is in full force and effect (and to the best of lessee's knowledge) with no defaults thereunder on the part of any party, that none of the Rents have been paid more than one month in advance, and that the lessee claims no defense or offset against the full and timely performance of its obligations under the Lease.

(c) Lender, by its acceptance of this Security Instrument, agrees to deliver to Borrower promptly upon Borrower's request therefor (provided such request is not made more than twice in any calendar year) a written statement setting forth the unpaid principal amount of the Note, the accrued and unpaid interest thereon, the date on which an installment of interest and/or principal were last paid thereunder and whether there are any Events of Default which currently exist and are actually known to Lender.

(d) Intentionally Omitted.

Section 7.5. FLOOD INSURANCE. After Lender's request, Borrower shall deliver evidence satisfactory to Lender that no portion of the Improvements is situated in a federally designated "special flood hazard area." or, if any of the Improvements are located within any such area Borrower will obtain and maintain the insurance required prescribed in Section 3.3 hereof, if required under the terms of that section.

Section 7.6. SPLITTING OF SECURITY INSTRUMENT. This Security Instrument and each Individual Note shall, at any time until the same shall be fully paid and satisfied, at the sole election of Lender, be split or divided into two or more notes and two or more security instruments, each of which shall cover all or a portion of the Property to be more particularly described therein. To that end, Borrower, upon written request of Lender and at Lender's sole cost and expense, shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered by the then owner of the Property, to Lender and/or its designee or designees substitute notes and security instruments in such principal amounts, aggregating not more than the then unpaid principal amount of this Security Instrument, and containing terms, provisions and clauses similar to those contained herein and in the Note, and such other documents and instruments as may be reasonably required by Lender. Borrower's obligations hereunder are conditioned upon Lender's agreement, as evidenced by its acceptance hereof, that such splitting or division shall not result in any decrease of any rights of Borrower or any Indemnitor (as defined in the Indemnity Agreement (defined below)) hereunder or under any other Loan Document or any additional cost or potential liability to Borrower or any Indemnitor that exceeds that which exists hereunder prior to such splitting or division.

Section 7.7. REPLACEMENT DOCUMENTS. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of any Individual Note or any other Loan Document which is not of public record: (i) with respect to any Loan Document other than any Individual Note, Borrower will issue, in lieu thereof, a replacement of such other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Loan Document in the same principal amount thereof and otherwise of like tenor and (ii) with respect to any Individual Note, (a) Borrower will execute a reaffirmation of the portion of the Debt as evidenced by such Individual Note acknowledging that Lender has informed Borrower that such Individual Note

was lost, stolen destroyed or mutilated and that such portion of the Debt continues to be an obligation and liability of the Borrower as set forth in such Individual Note, a copy of which shall be attached to such reaffirmation or (b) if requested by Lender, Borrower will execute a replacement note, provided, that Lender or Lender's custodian (at Lender's option) shall provide to Borrower Lender's (or Lender's custodian's) then standard form of lost note affidavit and indemnity, which such form shall be reasonably acceptable to Borrower.

Article 8. DUE ON SALE/ENCUMBRANCE

Section 8.1. LENDER RELIANCE. Borrower acknowledges that Lender has examined and relied on the experience of Borrower and its general partners, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to make the loan secured hereby, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for repayment of the Debt and the performance of the Other Obligations. Borrower acknowledges that Lender has a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the repayment of the Debt or the performance of the Other Obligations, Lender can recover the Debt by a sale of the Property.

Section 8.2. NO SALE/ENCUMBRANCE.

(a) Except as provided in this Security Instrument, Borrower shall not cause or permit a Sale or Pledge of the Property or any part thereof or any legal or beneficial interest therein nor permit a Sale or Pledge of an interest in any Restricted Party (in each case, a "**Prohibited Transfer**"), other than pursuant to Leases of space at the Property to tenants in accordance with the applicable provisions hereof, without the prior written consent of Lender.

(b) A Prohibited Transfer shall include, but not be limited to, (i) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments; (ii) an agreement by Borrower leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if a Restricted Party is a corporation, any merger, consolidation or Sale or Pledge of such corporation's stock or the creation or issuance of new stock in one or a series of transactions; (iv) any action for partition of the Property (or any portion thereof or interest therein) or any similar action instituted or prosecuted by any Borrower, as a tenant-in-common, or by any other person or entity, pursuant to any contractual agreement or other instrument or under Applicable Law (including, without limitation, common law); (v) if a Restricted Party is a limited or general partnership or joint venture, any merger or consolidation or the change, removal, resignation or addition of a general partner or the Sale or Pledge of the partnership interest of any general or limited partner or any profits or proceeds relating to such partnership interests or the creation or issuance of new partnership interests; (vi) if a Restricted Party is a limited liability company, any merger or consolidation or the change, removal, resignation or addition of a managing member or non-member manager (or if no managing member, any member) or the Sale or Pledge of the membership interest of any member or any profits or proceeds relating to such membership interest; (vii) if a Restricted Party is a trust or nominee trust, any merger, consolidation or the Sale or Pledge of the legal or beneficial interest in a

Restricted Party or the creation or issuance of new legal or beneficial interests; or (viii) the removal or the resignation of Manager (including, without limitation, an Affiliated Manager) other than in accordance with the applicable terms and conditions hereof.

Section 8.3. PERMITTED TRANSFERS. Notwithstanding anything to the contrary contained in this Article 8, the following transfers shall not be Prohibited Transfers and shall be permitted without Lender's consent: (a) a transfer (but not a pledge) by devise or descent or by operation of law upon the death of a member, partner or shareholder of a Restricted Party, (b) the transfer (but not the pledge), in one or a series of transactions, of the stock, partnership interests or membership interests (as the case may be) in a Restricted Party, and (c) the sale, transfer or issuance of shares of common stock in any Restricted Party that is a publicly traded entity, provided such shares of common stock are listed on the New York Stock Exchange or another nationally recognized stock exchange; provided, however, with respect to the transfers listed in clauses (a) or (b) above, (A) Lender shall receive not less than five (5) days prior written notice thereof, (B) no such transfers shall result in a change in Control of Sponsor or Affiliated Manager (provided, however, a "change in Control" of Sponsor or Affiliated Manager shall not be deemed to have occurred for the purposes of this subsection (B) if any one of the persons or entities comprising the definition of "Sponsor" contained herein succeeds to the interest of the then current Sponsor and such successor Sponsor Controls the Affiliated Manager), (C) after giving effect to such transfers, Sponsor shall (I) (aa) own at least a 51% direct or indirect equity interest in each of Borrower and any SPE Component Entity, or (bb) Sponsor shall own at least a (A) 5% direct or indirect equity interest in Venture and any SPE Component Entity applicable to Venture and GE (provided such transfer to GE is a Qualified GE Transfer) shall own at least a 46% direct or indirect equity interest in each of Venture and any SPE Component Entity applicable to Venture and (B) 51% direct or indirect equity interest in West and any SPE Component Entity related to West, (II) Control Borrower and any SPE Component Entity and (III) control the day-to-day operation of the Property, (D) the Property shall continue to be managed by Affiliated Manager or a Qualified Manager, (E) in the case of the transfer of any direct equity ownership interests in Borrower or in any SPE Component Entity, such transfers shall be conditioned upon continued compliance with the relevant provisions of Sections 4.2 and 4.3 hereof and (F) in the case of (1) the transfer of the management of the Property to a new Affiliated Manager in accordance with the applicable terms and conditions hereof, or (2) the transfer (in one or in a series of transactions) in excess of 49% (in the aggregate) of any equity ownership interests (I) directly in Borrower or in any SPE Component Entity, or (II) in any Restricted Party whose sole asset is a direct or indirect equity ownership interest in Borrower or in any SPE Component Entity, such transfers shall be conditioned upon delivery to Lender of a substantive non-consolidation opinion, which such opinion shall be provided by outside counsel acceptable to Lender and the Rating Agencies and shall otherwise be in form, scope and substance reasonably acceptable to Lender and acceptable to the Rating Agencies (such opinion, the "**New Non-Consolidation Opinion**").

Section 8.4. ASSUMPTION. Notwithstanding anything to the contrary contained in this Article 8 and in addition to the transfers permitted under Section 8.3, the following transfers shall not be Prohibited Transfers and Lender's consent to any TIC Assumption (defined below) shall not be required and Lender's consent to the first four (4) other transfers of the Property (at any time after the first (1st) anniversary of the closing of the Loan or at any time prior to such date if Lender determines that such assignment or transfer will not hinder, delay or prevent

Lender from completing a Secondary Market Transaction (as defined in Section 19.3)) shall not be withheld; provided, that, in each case, Lender receives sixty (60) days prior written notice of each such transfer hereunder and no Event of Default has occurred and is continuing, and further provided that, the following additional requirements are satisfied:

(a) With respect to (i) any TIC Assumption, no transfer fee shall be due, and (ii) other than in connection with a TIC Assumption, with respect to the (I) first such transfer, Borrower shall pay Lender a transfer fee equal to 0.125% of the outstanding principal balance of the Loan at the time of such transfer, (II) second such transfer, Borrower shall pay Lender a transfer fee equal to 0.375% of the outstanding principal balance of the Loan at the time of such transfer, (III) third such transfer, Borrower shall pay Lender a transfer fee equal to 0.75% of the outstanding principal balance of the Loan at the time of such transfer and (IV) fourth such transfer, Borrower shall pay Lender a transfer fee equal to 1.0% of the outstanding principal balance of the Loan at the time of such transfer;

(b) Borrower shall pay any and all reasonable out-of-pocket costs incurred in connection with, as applicable, each TIC Assumption and the transfer of the Property (including, without limitation, Lender's reasonable counsel fees and disbursements and all recording fees, title insurance premiums and mortgage and intangible taxes and, other than with respect to any TIC Assumption, the fees and expenses of the Rating Agencies pursuant to clause (j) below);

(c) Other than in connection with a TIC Assumption, the proposed transferee (the "**Transferee**") or Transferee's Principals (hereinafter defined) must have demonstrated expertise in owning and operating properties similar in location, size and operation to the Property, which expertise shall be reasonably determined by Lender. The term "**Transferee's Principals**" shall include Transferee's (A) managing members, general partners or Controlling shareholders and (B) such other members, partners or shareholders which directly or indirectly shall own a 15% or greater interest in Transferee;

(d) Other than in connection with a TIC Assumption, Transferee's Principals shall, as of the date of such transfer, have an aggregate net worth and liquidity reasonably acceptable to Lender;

(e) Other than in connection with a TIC Assumption, Transferee, Transferee's Principals and all other entities which may be owned or controlled directly or indirectly by Transferee's Principals ("**Related Entities**") must not have been a party to any bankruptcy proceedings, voluntary or involuntary, made an assignment for the benefit of creditors or taken advantage of any insolvency act, or any act for the benefit of debtors within seven (7) years prior to the date of the proposed transfer of the Property;

(f) Transferee or Assuming Borrower (defined below) under a TIC Assumption, as applicable, shall assume all of the obligations of Borrower under the Loan Documents in a manner satisfactory to Lender in all respects, including, without limitation, by entering into an assumption agreement in form and substance reasonably satisfactory to Lender;

(g) There shall be no material litigation or regulatory action pending or threatened against, as applicable, Transferee, Transferee's Principals or Related Entities or Assuming Borrower or Sponsor which is not reasonably acceptable to Lender;

(h) Other than in connection with a TIC Assumption, Transferee's Principals and Related Entities shall not have defaulted under its or their obligations with respect to any other indebtedness in a manner which is not reasonably acceptable to Lender;

(i) Transferee or Assuming Borrower, as applicable, must be able to satisfy all the covenants set forth in Sections 4.3, and both Transferee and Transferee's Principals or both Assuming Borrower and Sponsor (as applicable) must be able to satisfy all the covenants set forth in Sections 4.3 and 5.9 hereof, no Event of Default or event which, with the giving of notice, passage of time or both, shall constitute an Event of Default, shall otherwise occur as a result of such transfer, and Transferee and Transferee's Principals or Assuming Borrower and Sponsor (as applicable) shall deliver (A) all organization documentation reasonably requested by Lender, which shall be reasonably satisfactory to Lender, and (B) all certificates, agreements and covenants reasonably required by Lender (including, without limitation, hazard insurance endorsements or certificates or other similar evidence that the Policies required hereunder have been obtained or maintained, as applicable);

(j) Other than in connection with a TIC Assumption, Transferee shall be approved by the Rating Agencies selected by Lender;

(k) Transferee or Assuming Borrower, as applicable, shall furnish (I) a New Non-Consolidation Opinion, and (II) an opinion of counsel reasonably satisfactory to Lender and its counsel (A) that the assumption of the Debt has been duly authorized, executed and delivered, and that the Note, this Security Instrument, the assumption agreement and the other Loan Documents are valid, binding and enforceable against Transferee or Assuming Borrower, as applicable, in accordance with their terms, and (B) that Transferee or Assuming Borrower, as applicable, and any entity which is a controlling stockholder, member or general partner of Transferee or Assuming Borrower, as applicable, have been duly organized, and are in existence and good standing;

(l) Borrower shall deliver, at its sole costs and expense, an endorsement to the existing title policy insuring the Security Instrument, as modified by the assumption agreement, as a valid first lien on the Property and naming the Transferee or Assuming Borrower, as applicable, as owner of the Property, which endorsement shall insure that, as of the date of the recording of the assumption agreement, the Property shall not be subject to any additional exceptions or liens other than those contained in the title policy issued on the date hereof. Immediately upon a transfer of the Property to such Transferee or Assuming Borrower, as applicable, and the satisfaction of all of the above requirements, the named Borrower herein or, in the case of a TIC Assumption, any entity constituting the defined term "Borrower" hereunder other than the Assuming Borrower or any other Borrower that is not transferring its interest in the Property to the Assuming Borrower shall be released from all liability under this Security Instrument, the Note and the Other Security Documents accruing after such transfer, and, in the case of a transfer hereunder other than a TIC Assumption, the Indemnitor under that certain Indemnity Agreement in favor of Lender relating hereto (the "**Indemnity Agreement**"), dated of

even date herewith, shall be released from its obligations and liabilities thereunder accruing after such transfer provided that a new indemnitor approved by Lender, which approval shall be granted or withheld pursuant to Lender's customary underwriting procedures, enters into and delivers to Lender a new indemnity agreement in the form and content of the Indemnity Agreement. The foregoing release shall be effective upon the date of such transfer, but Lender agrees to provide written evidence thereof reasonably requested by Borrower; and

(m) Other than in connection with a TIC Assumption, Borrower's obligations under the contract of sale pursuant to which the transfer is proposed to occur shall expressly be subject to the satisfaction of the terms and conditions of this Section.

Any transfer made pursuant to and in accordance with the terms and provisions of this Section 8.4 shall not be deemed to be a Prohibited Transfer. A consent by Lender with respect to a transfer of the Property in its entirety to, and the related assumption of the Loan by, a Transferee pursuant to this Section shall not be construed to be a waiver of the right of Lender to consent to any subsequent transfer of the Property.

Section 8.5. LENDER'S RIGHTS. Lender reserves the right to condition the consent to a Prohibited Transfer requested hereunder upon (a) a modification of the terms hereof and an assumption of the Note and the other Loan Documents as so modified by the proposed Prohibited Transfer, (b) receipt of payment of a transfer fee equal to one percent (1%) of the outstanding principal balance of the Loan and all of Lender's expenses incurred in connection with such Prohibited Transfer, (c) receipt of written confirmation from the Rating Agencies (a "**Ratings Confirmation**") that the Prohibited Transfer will not result in a downgrade, withdrawal or qualification of the initial, or if higher, then current ratings issued in connection with a Securitization, or if a Securitization has not occurred, any ratings to be assigned in connection with a Securitization, (d) the proposed transferee's continued compliance with the covenants set forth in this Security Instrument (including, without limitation, the covenants in Sections 4.2 and 4.3) and the other Loan Documents, (e) a new manager for the Property and a new management agreement satisfactory to Lender, and (f) the satisfaction of such other conditions and/or legal opinions as Lender shall determine in its sole discretion to be in the interest of Lender. All expenses incurred by Lender shall be payable by Borrower whether or not Lender consents to the Prohibited Transfer. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon a Prohibited Transfer made without Lender's consent. This provision shall apply to each and every Prohibited Transfer, whether or not Lender has consented to any previous Prohibited Transfer.

Section 8.6. DEFINITIONS. As used in this Article 8, the following terms shall have the following meanings:

(a) "**Affiliated Manager**" shall mean any managing agent of the Property in which Borrower, Guarantor, Sponsor, any SPE Component Entity or any affiliate of such entities has, directly or indirectly, any legal, beneficial or economic interest.

(b) "**Control**" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of an entity, whether through ownership of voting securities, by contract or otherwise.

(c) "**GE**" shall mean a General Electric pension trust reasonably acceptable to Lender with a net worth exceeding $1,000,000,000.

(d) "**Qualified GE Transfer**" shall mean a transfer of a direct or indirect interest in Borrower to GE (i) which shall occur no later than 60 days of the date hereof and (ii) as a condition precedent to which, Borrower shall re-make to Lender the representations and covenants contained herein relating to ERISA effective as of the date of the Qualified GE Transfer.

(e) "**Restricted Party**" shall mean Borrower, Guarantor, Sponsor, any SPE Component Entity, any Affiliated Manager, or any shareholder, partner, member, non-member manager or any direct or indirect legal or beneficial owner of any of the foregoing.

(f) "**Sale or Pledge**" shall mean a voluntary or involuntary sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, grant of any options with respect to, or any other transfer or disposition of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) of a legal or beneficial interest.

(g) "**Sponsor**" shall mean (i) Guarantor, (ii) a Rady Family Entity, (iii) a Qualified Equityholder or (iv) GE (provided that (A) the initial transfer to GE is a Qualified GE Transfer and (B) GE has obtained Control over Borrower, any SPE Component Entity, any manager of the Property and the day to day operation of the Property) (the "**GE Sponsor**"); provided, that, as conditions precedent to any transfer of Guarantor's or the Rady Family Entity's interest as "Sponsor" to (A) a Qualified Equityholder, Lender shall have received a Ratings Confirmation in connection therewith and with respect to the (I) first such transfer, Borrower shall pay Lender a transfer fee equal to 0.125% of the outstanding principal balance of the Loan at the time of such transfer, (II) second such transfer, Borrower shall pay Lender a transfer fee equal to 0.375% of the outstanding principal balance of the Loan at the time of such transfer, (III) third such transfer, Borrower shall pay Lender a transfer fee equal to 0.75% of the outstanding principal balance of the Loan at the time of such transfer and (IV) fourth such transfer and each subsequent transfer thereafter, Borrower shall pay Lender a transfer fee equal to 1.0% of the outstanding principal balance of the Loan at the time of such transfer or (B) GE Sponsor, GE Sponsor shall have executed and delivered to Lender an indemnity agreement in form and substance substantially identical to the Indemnity Agreement.

(h) "**Qualified Equityholder**" shall mean

(A) a real estate investment trust, bank, saving and loan association, investment bank, insurance company, trust company, commercial credit corporation, pension plan, pension fund or pension advisory firm, mutual fund, government entity or plan, provided that any such person or entity referred to in this clause (A) satisfies the Eligibility Requirements;

(B) an investment company, money management firm or "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, or an institutional "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, as amended, provided that any such person or entity referred to in this clause (B) satisfies the Eligibility Requirements;

(C) an institution substantially similar to any of the foregoing entities described in clauses (A) or (B) that satisfies the Eligibility Requirements;

(D) any entity (1) Controlled by any of the entities described in clauses (A), (B) or (C) above and (2) in which any of the entities described in clauses (A), (B) or (C) above own a 51% direct or indirect equity ownership interest;

(E) a Qualified Trustee in connection with a securitization of, the creation of collateralized debt obligations ("**CDO**") secured by or financing through an "owner trust" of, the Loan (collectively, "**Securitization Vehicles**"), so long as (A) the special servicer or manager of such Securitization Vehicle has the Required Special Servicer Rating and (B) the entire "controlling class" of such Securitization Vehicle, other than with respect to a CDO Securitization Vehicle, is held by one or more entities that are otherwise Qualified Equityholders under clauses (A), (B), (C) or (D) of this definition; provided that the operative documents of the related Securitization Vehicle require that (1) in the case of a CDO Securitization Vehicle, the "equity interest" in such Securitization Vehicle is owned by one or more entities that are Qualified Equityholders under clauses (A), (B), (C) or (D) of this definition and (2) if any of the relevant trustee, special servicer, manager fails to meet the requirements of this clause (E), such person or entity must be replaced by a Person or entity meeting the requirements of this clause (E) within thirty (30) days; or

(F) an investment fund, limited liability company, limited partnership or general partnership where a Permitted Fund Manager or an entity that is otherwise a Qualified Equityholder under clauses (A), (B), (C) or (D) of this definition acts as the general partner, managing member or fund manager and at least 50% of the equity interests in such investment vehicle are owned, directly or indirectly, by one or more entities that are otherwise Qualified Equityholders under clauses (A), (B), (C) or (D) of this definition.

Notwithstanding the foregoing, no person or entity shall be deemed to be a Qualified Equityholder if (y) such person or entity (or any other person or entity owned or Controlled by such person or entity or affiliated with such person or entity) has been, within the last ten (10) years, (I) subject to any material, uncured event of default in connection with a loan financing which resulted in litigation or an acceleration of an indebtedness held by Lender or any other secondary market or institutional lender or (II) the subject of any action or proceeding under applicable Insolvency Laws; or (z) any of the principals or entities which Control such person or entity or own a material direct or indirect equity interest in such person or entity have ever been convicted of a felony.

As used in the above definition of "Qualified Equityholder", the following terms shall have the following meanings:

(i) "**Eligibility Requirements**" shall mean, with respect to any person or entity, that such person or entity (A) has total assets (in name or under management) in excess of $750,000,000 and (except with respect to a pension advisory firm or similar fiduciary) capital/statutory surplus or shareholder's equity of $500,000,000 and (B) is regularly engaged in the business of making or owning commercial real estate loans or operating commercial mortgage properties.

(ii) "**Permitted Fund Manager**" shall mean any Person or entity that on the date of determination is (A) a nationally-recognized manager of investment funds investing in debt or equity interests relating to commercial real estate, (B) investing through a fund with committed capital of at least $500,000,000 and (C) not subject to any action or proceeding under any bankruptcy, insolvency, rehabilitation or other similar proceeding.

(iii) "**Qualified Trustee**" shall mean (A) a corporation, national bank, national banking association or a trust company, organized and doing business under the laws of any state or the United States of America, authorized under such laws to exercise corporate trust powers and to accept the trust conferred, having a combined capital and surplus of at least $300,000,000 and subject to supervision or examination by federal or state authority, (B) an institution insured by the Federal Deposit Insurance Corporation or (C) an institution whose long-term senior unsecured debt is rated either of the then in effect top two rating categories of each of the Rating Agencies.

(iv) "**Required Special Servicer Rating**" shall mean (A) a rating of "CSS1" in the case of Fitch, (B) on the S&P list of approved special servicers in the case of S&P and (C) in the case of Moody's, such special servicer is acting as special servicer in a commercial mortgage loan securitization that was rated by Moody's within the twelve (12) month period prior to the date of determination, and Moody's has not downgraded or withdrawn the then-current rating on any class of commercial mortgage securities or placed any class of commercial mortgage securities on watch citing the continuation of such special servicer as special servicer of such commercial mortgage securities.

(i) "**Rady Family Entity**" shall mean an entity (i) in which Ernest S. Rady or a spouse, siblings, children or grandchildren, nieces, nephews or cousins of Ernest S. Rady or trusts for the benefit of any such persons (collectively, the "**Rady Family Group**") own at least a 51% direct or indirect equity interest, and (ii) which is Controlled by one or more members of the Rady Family Group having commercial real estate experience at least comparable to that of the current management of Guarantor.

(j) "**Rady SPE**" shall mean entity (i) which is a single purpose, bankruptcy remote entity meeting the requirements of Sections 4.3 and 5.9 hereof, (ii) which is Controlled by a Rady Family Entity and (iii) in which a Rady Family Entity owns at least a 51% direct or indirect equity ownership interest.

(k) "**TIC Assumption**" shall mean the transfer of the ownership interest in the Property currently held by one (or, in the case of a transfer to a Rady SPE, both) of the entities comprising the defined term "Borrower" hereunder to (i) the other party comprising the defined term "Borrower" hereunder or (ii) a Rady SPE (each of the foregoing, an "**Assuming Borrower**") and such Assuming Borrower's assumption of the Debt and the other obligations of the transferring Borrower hereunder and under the other Loan Documents in accordance with the terms and conditions set forth in Section 8.4 above; provided, that, no such TIC Assumption shall be permitted hereunder (A) if the same would result in (1) more than two (2) tenants-in-common owning the Property or (2) each such tenant-in-common Borrower not being 51% owned (directly or indirectly) and Controlled by one or more Rady Family Entities and/or Guarantor and (B) more frequently than once in any calendar year (unless otherwise consented to in writing by Lender); provided, that, Borrower shall have the one time right to have a TIC Assumption occur twice in the same calendar year.

Article 9. PREPAYMENT

Section 9.1. PREPAYMENT. The Debt may be prepaid only in strict accordance with the express terms and conditions of the Note and this Security Instrument including the payment (if applicable) of any prepayment consideration or premium due under the Note (whether due prior to or after the occurrence of an Event of Default).

Article 10. DEFAULT

Section 10.1. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an "**Event of Default**":

(a) if any portion of the Debt is not paid on the date the same is due or if the entire Debt is not paid on or before the Maturity Date; provided, however, Borrower shall not be in default so long as there is sufficient money in the Cash Management Account for payment of all amounts then due and payable (including any deposits into Reserve Accounts (as such term is defined in that certain Reserve Agreement by and among Borrower and Lender executed in connection with the Loan (the "**Reserve Agreement**"))) and Lender's access to such money has not been constrained or constricted in any manner;

(b) if any of the Taxes or Other Charges are not paid within ten (10) days following the date the same is due and payable except to the extent sums sufficient to pay such Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument;

(c) if the Policies are not kept in full force and effect, or if the Policies are not delivered to Lender within ten (10) days of Lender's request;

(d) if the Property is subject to actual waste;

(e) if Borrower violates or does not comply with any of the provisions of Sections 3.7 (and does not cure such failure within ten days of written notice) or 4.3 or Articles 8, 12 or 13;

(f) if any representation or warranty of Borrower or any person guaranteeing payment of the Debt or any portion thereof or performance by Borrower of any of the terms of this Security Instrument (including, without limitation, Guarantor) or any general partner, managing member, principal or beneficial owner of any of the foregoing, made herein or any guaranty or indemnity, or in any certificate, report, financial statement or other instrument or document furnished to Lender shall have been false or misleading in any material respect when made;

(g) if (i) Borrower or any general partner or managing member of Borrower or any SPE Component Entity shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Borrower or any general partner or managing member of Borrower or any SPE Component Entity shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any general partner or managing member of Borrower or any SPE Component Entity any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of ninety (90) days; or (iii) there shall be commenced against Borrower or any general partner or managing member of Borrower or any SPE Component Entity any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within ninety (90) days from the entry thereof; or (iv) Borrower or any general partner or managing member of Borrower or any SPE Component Entity shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Borrower or any general partner of Borrower or any SPE Component Entity shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(h) if Borrower shall be in default under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of the Property whether it be superior or junior in lien to this Security Instrument;

(i) Subject to Borrower's contest rights contained in Section 3.12 hereof, if the Property becomes subject to any mechanic's, materialman's or other lien (other than a lien for local real estate taxes and assessments not then due and payable) and the lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of ninety (90) days;

(j) if any federal tax lien is filed against Borrower, any general partner or managing member of Borrower, or the Property and same is not discharged of record within ninety (90) days after same is filed;

(k) if Borrower fails to cure any violations of Applicable Laws within ninety (90) days, of first having received notice thereof;

(l) if (i) Borrower fails to timely provide Lender with the written certification and evidence referred to in Section 4.2 hereof, or (ii) Borrower consummates a transaction which would cause the Security Instrument or Lender's exercise of its rights under this Security Instrument, the Note or the Other Security Documents to constitute a nonexempt prohibited transaction under ERISA or result in a violation of a state statute regulating governmental plans, subjecting Lender to liability for a violation of ERISA or a state statute;

(m) if Borrower shall fail to reimburse Lender on demand, with interest calculated at the Default Rate (defined below), for all Insurance Premiums or Taxes, together with interest and penalties imposed thereon, paid by Lender pursuant to this Security Instrument;

(n) if Borrower shall fail to timely deliver to Lender an estoppel certificate pursuant to the terms of Subsection 7.4(a);

(o) if Borrower shall fail to timely deliver to Lender, after request by Lender, the statements referred to in Section 3.11 in accordance with the terms thereof;

(p) if any default occurs in the performance of any guarantor's or indemnitor's (including, without limitation, Guarantor's) obligations under any guaranty or indemnity executed in connection herewith (including, without limitation, the Indemnity Agreement) and such default continues after the expiration of applicable grace periods set forth in such guaranty or indemnity, or if any representation or warranty of any guarantor or indemnitor thereunder shall be false or misleading in any material respect when made;

(q) Intentionally Omitted;

(r) Intentionally Omitted;

(s) Intentionally Omitted;

(t) if for more than thirty (30) days after notice from Lender, Borrower shall continue to be in default under any other term, covenant or condition of the Note, this Security Instrument or the Other Security Documents in the case of any default which can be cured by the payment of a sum of money or for sixty (60) days after notice from Lender in the case of any other default, provided that if such default cannot reasonably be cured within such sixty (60) day period and Borrower shall have commenced to cure such default within such sixty (60) day period and thereafter diligently and expeditiously proceeds to cure the same, such sixty (60) day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of one hundred twenty (120) days; or

(u) a default beyond applicable notice or cure periods (if any) shall occur under any Other Security Documents.

Section 10.2. LATE PAYMENT CHARGE. If any monthly installment of principal and interest is not paid on the date on which it was due, Borrower shall pay to Lender upon demand an amount equal to the lesser of two and one half percent (2.5%) of such unpaid portion of the outstanding monthly installment of principal and interest then due or the maximum amount permitted by Applicable Law, to defray the expense incurred by Lender in handling and processing such delinquent payment and to compensate Lender for the loss of the use of such delinquent payment, and such amount shall be secured by this Security Instrument and the Other Security Documents.

Section 10.3. DEFAULT INTEREST. Borrower will pay, from the date of an Event of Default through the earlier of the date upon which the Event of Default is cured or the date upon which the Debt is paid in full, interest on the unpaid principal balance of the Note at a per annum rate equal to the lesser of (a) four percent (4%) plus the Applicable Interest Rate (as defined in the Note), and (b) the maximum interest rate which Borrower may by law pay or Lender may charge and collect (the "**Default Rate**").

Article 11. RIGHTS AND REMEDIES

Section 11.1. REMEDIES. Except as specifically limited hereby or the Other Security Documents, Upon the occurrence of any Event of Default, Borrower agrees that Lender may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Lender may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Lender: (a) declare the entire unpaid Debt to be immediately due and payable; (b) institute proceedings, judicial or otherwise, for the complete foreclosure of this Security Instrument under any applicable provision of law in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner; (c) with or without entry, to the extent permitted and pursuant to the procedures provided by Applicable Law, institute proceedings for the partial foreclosure of this Security Instrument for the portion of the Debt then due and payable, subject to the continuing lien and security interest of this Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority; (d) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Borrower therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entity or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law; (e) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note or in the Other Security Documents; (f) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument or the Other Security Documents; (g) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of Borrower or of any person, firm or other entity liable for the payment of the Debt; (h) subject to Applicable Law, and following notice to Borrower, the license granted to Borrower under Section 1.2 shall be revoked (subject to reinstatement as provided herein) and Lender may enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom,

without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Borrower agrees to surrender possession of the Property and of such books, records and accounts to Lender upon demand, and thereupon Lender may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (ii) complete any construction on the Property in such manner and form as Lender deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Property; (iv) exercise all rights and powers of Borrower with respect to the Property, whether in the name of Borrower or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and, subject to the Cash Management Agreement, receive all Rents of the Property and every part thereof; (v) require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Borrower; (vi) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Property to the payment of the Debt, in such order, priority and proportions as Lender shall deem appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the Taxes, Other Charges, insurance and other expenses in connection with the Property, as well as just and reasonable compensation for the services of Lender, its counsel, agents and employees; (i) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (i) the right to take possession of the Personal Property or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Personal Property, and (ii) request Borrower at its expense to assemble the Personal Property and make it available to Lender at a convenient place acceptable to Lender. Any notice of sale, disposition or other intended action by Lender with respect to the Personal Property sent to Borrower in accordance with the provisions hereof at least ten (10) days prior to such action, shall constitute commercially reasonable notice to Borrower; (j) apply any sums then deposited in the Escrow Fund and any other sums held in escrow or otherwise by Lender in accordance with the terms of this Security Instrument or any Other Security Document to the payment of the following items in any order in its discretion: (i) Taxes and Other Charges; (ii) Insurance Premiums; (iii) any other items or expenses for which such escrow was established; or (iv) during the continuance of an Acceleration Default, (A) interest on the unpaid principal balance of the Note, (B) the unpaid principal balance of the Note; or (C) all other sums payable pursuant to the Note, this Security Instrument and the Other Security Documents, including without limitation advances made by Lender pursuant to the terms of this Security Instrument; (k) surrender the Policies maintained pursuant to Article 3 hereof, collect the unearned Insurance Premiums and apply such sums as a credit on the Debt in such priority and proportion as Lender in its discretion shall deem proper, and in connection therewith, Borrower hereby appoints Lender as agent and attorney in fact (which is coupled with an interest and is therefore irrevocable) for Borrower to collect such Insurance Premiums; (l) pursue such other remedies as Lender may have under Applicable Law; (m) apply the undisbursed balance of any Net Proceeds Deficiency deposit, together with interest thereon, to the payment of the Debt in such order, priority and proportions as Lender shall deem to be appropriate in its discretion; or

(n) under the power of sale hereby granted, Lender shall have the discretionary right to cause some or all of the Property, including any Personal Property, to be sold or otherwise disposed of in any combination and in any manner permitted by Applicable Law.

In the event of a sale, by foreclosure, power of sale, or otherwise, of less than all of the Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property unimpaired and without loss of priority. In the event of a sale, by foreclosure, power of sale, or otherwise, Lender may bid for and acquire the Property and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting against the Obligations the amount of the bid made therefor, after deducting therefrom the expenses of the sale, the cost of any enforcement proceeding hereunder and any other sums which Lender is authorized to deduct under the terms hereof, to the extent necessary to satisfy such bid. Notwithstanding the provisions of this Section 11.1 to the contrary, if any Event of Default as Subsection 10.1(g) shall occur, the entire unpaid Debt shall be automatically due and payable, without any further notice, demand or other action by Lender.

Section 11.2. APPLICATION OF PROCEEDS. The purchase money, proceeds and avails of any disposition of the Property, or any part thereof, or any other sums collected by Lender after the occurrence of an Event of Default pursuant to the Note, this Security Instrument or the Other Security Documents, may be applied by Lender to the payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper. Upon any foreclosure sale or sales of all or any portion of the Property under the power of sale herein granted, Lender may bid for and purchase the Property and shall be entitled to apply all or any part of the Debt as a credit to the purchase price.

Section 11.3. RIGHT TO CURE DEFAULTS. Upon the occurrence of any Event of Default, Lender may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder, make or do the same in such manner and to such extent as Lender may deem necessary to protect the security hereof. Lender is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section 11.3, shall constitute a portion of the Debt and shall be due and payable to Lender upon demand. All such costs and expenses incurred by Lender in remedying such Event of Default or such failed payment or act or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate, for the period after notice from Lender that such cost or expense was incurred to the date of payment to Lender. All such costs and expenses incurred by Lender together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Debt and be secured by this Security Instrument and the Other Security Documents and shall be immediately due and payable upon demand by Lender therefor.

Section 11.4. ACTIONS AND PROCEEDINGS. Lender has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Borrower, which Lender, in its discretion, decides should be brought to protect its interest in the Property.

Section 11.5. RECOVERY OF SUMS REQUIRED TO BE PAID. Lender shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Lender thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Borrower existing at the time such earlier action was commenced.

Section 11.6. EXAMINATION OF BOOKS AND RECORDS. Lender, its agents, accountants and attorneys shall have the right to examine the records, books, management and other papers of Borrower and each other "Indemnitor" under the Indemnity Agreement delivered in connection herewith which reflect upon their financial condition, at the Property or at any office regularly maintained by Borrower or such other Indemnitor or where the books and records are located. Lender and its agents shall have the right to make copies and extracts from the foregoing records and other papers. In addition, Lender, its agents, accountants and attorneys shall have the right to examine and audit the books and records of Borrower and such other Indemnitor pertaining to the income, expenses and operation of the Property during reasonable business hours at any office of Borrower and such other Indemnitor where the books and records are located.

Section 11.7. OTHER RIGHTS, ETC. (a) The failure of Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (i) the failure of Lender to comply with any request of Borrower to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the Other Security Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any person liable for the Debt or any portion thereof, or (iii) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Security Instrument or the Other Security Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for decline in value of the Property, for failure to maintain the Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Lender shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any Property or collateral not in Lender's possession.

(c) Lender may resort for the payment of the Debt to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to foreclose this Security Instrument. The rights of Lender under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Lender shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

Section 11.8. RIGHT TO RELEASE ANY PORTION OF THE PROPERTY. Lender may release any portion of the Property for such consideration as Lender may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by Lender for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Lender may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

Section 11.9. VIOLATION OF LAWS. If the Property is not in compliance with Applicable Laws, Lender may impose additional requirements upon Borrower in connection herewith including, without limitation, monetary reserves or financial equivalents.

Section 11.10. RIGHT OF ENTRY. Lender and its agents shall have the right to enter and inspect the Property at all reasonable times.

Section 11.11. EXCULPATION. All rights and remedies of Lender under this Security Instrument and the Other Security Documents are expressly made subject to the limitations and exculpations set forth in Article 15, below.

Article 12. ENVIRONMENTAL HAZARDS

Section 12.1. ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants, based upon an environmental assessment of the Property and information that Borrower knows (which for purposes hereof will mean the actual knowledge of John Chamberlain and Chris Sullivan, and their successors) that: (a) there are no Hazardous Substances (defined below) or underground storage tanks in, on, or under the Property, except those that are both (i) in compliance with, if required, Environmental Laws (defined below) and with permits issued pursuant thereto or (ii) fully disclosed to Lender by Borrower in writing or pursuant to the written reports resulting from the environmental assessments of the Property delivered to Lender (the "**Environmental Report**"); (b) there are no past, present or threatened Releases (defined below) of Hazardous Substances in, on, under or from the Property except as described in the Environmental Report; (c) there is no likely threat of any Release of Hazardous Substances migrating to the Property except as described in the Environmental Report; (d) there is no past or present non-compliance with Environmental Laws, or with permits issued pursuant thereto, in connection with the Property except as described in the Environmental Report; (e) Borrower has not received, any written or oral notice from any person or entity (including but not limited to a governmental entity) relating to any unlawful accumulations of Hazardous Substances or Remediation (defined below) thereof on the Property, or of possible liability of any person or entity pursuant to violation of any Environmental Law in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with any of the foregoing; and (f) Borrower has truthfully and fully provided to Lender, in writing, any and all information relating to conditions in, on, under or from the Property that is known to Borrower (which for purposes hereof will mean the actual knowledge of John Chamberlain and Chris Sullivan, and their successors) and that is contained in Borrower's files and records, including but not limited to any reports relating to Hazardous Substances in, on, under or from the Property and/or to the environmental condition of the Property.

"**Environmental Law**" means any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law, relating to protection of human health or the environment, relating to Hazardous Substances, relating to liability for or costs of Remediation or prevention of Releases of Hazardous Substances or relating to liability for or costs of other actual or threatened danger to human health or the environment. "Environmental Law" includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right to Know Act; the Hazardous Substances Transportation Act; the Resource Conservation and Recovery Act (including but not limited to Subtitle I relating to underground storage tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; and the River and Harbors Appropriation Act. "Environmental Law" also includes, but is not limited to, any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law; conditioning transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of the property; requiring notification or disclosure of Releases of Hazardous Substances or other environmental condition of the Property to any governmental authority or other person or entity, whether or not in connection with transfer of title to or interest in property; imposing conditions or requirements in connection with permits or other authorization for lawful activity; relating to nuisance, trespass or other causes of action related to the Property; and relating to wrongful death, personal injury, or property or other damage in connection with any physical condition or use of the Property. "**Hazardous Substances**" include but are not limited to any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives provided, however, that "Hazardous Substances" shall not include cleaning materials, office supplies, cleaning supplies and other substances commonly used or sold by establishments similar to those leasing space at the Property in the ordinary course of their business and customarily used at properties similar to the Property, to the extent such materials are used, stored and disposed of in accordance with Environmental Laws.

"**Release**" of any Hazardous Substance means any unlawful release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances.

"**Remediation**" means any response, remedial, removal, or corrective action, any activity to cleanup, detoxify, decontaminate, contain or otherwise remediate any Hazardous Substance, any actions to prevent, cure or mitigate any Release of any Hazardous Substance, any action to

comply with any Environmental Laws or with any permits issued pursuant thereto, any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory or other analysis, or evaluation relating to any Hazardous Substances or to anything referred to in Article 12.

Section 12.2. ENVIRONMENTAL COVENANTS. Borrower covenants and agrees that so long as Borrower owns, manages, is in possession of, or otherwise controls the operation of the Property: (a) all uses and operations on or of the Property shall be in compliance with all Environmental Laws and permits issued pursuant thereto; (b) there shall be no Releases of Hazardous Substances by Borrower, its agents or employees in, on, under or from the Property; (c) Borrower shall not knowingly permit any Hazardous Substances in, on, or under the Property, except those that are in compliance with all Environmental Laws and with permits issued pursuant thereto, if and to the extent required; (d) the Property shall be kept free and clear of all liens and other encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Borrower or any other person or entity (the "**Environmental Liens**"); (e) Borrower shall, at its sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Section 12.3 below, including but not limited to providing all relevant information and making knowledgeable persons available for interviews; (f) Borrower shall, at its sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with the Property, pursuant to any written request of Lender (including but not limited to sampling, testing and analysis of soil, water, air, building materials and other materials and substances whether solid, liquid or gas), and share with Lender the reports and other results thereof, and Lender and other Indemnified Parties (as defined herein) shall be entitled to rely on such reports and other results thereof provided, however, that no such request shall be made by Lender unless Lender has reasonable grounds to believe that a Release of Hazardous Substances or a violation of Environmental Law has occurred; (g) Borrower shall, at its sole cost and expense, comply with all reasonable written requests of Lender to (i) reasonably effectuate Remediation of any condition (including but not limited to a Release of a Hazardous Substance) in, on, under or from the Property; (ii) comply with any Environmental Law; (iii) comply with any directive from any governmental authority; and (iv) take any other reasonable action necessary or appropriate for protection of human health or the environment; (h) Borrower shall not do or knowingly allow any tenant or other user of the Property to do any act that materially increases the dangers to human health or the environment, poses an unreasonable risk of harm to any person or entity (whether on or off the Property), impairs or may impair the value of the Property, is contrary to any requirement of any insurer, constitutes a public or private nuisance, constitutes waste, or violates any covenant, condition, agreement or easement applicable to the Property; and (i) Borrower shall immediately notify Lender in writing of (A) any presence or Releases or threatened Releases of Hazardous Substances in, on, under, from or migrating towards the Property; (B) any non compliance with any Environmental Laws related in any way to the Property; (C) any actual or potential Environmental Lien; (D) any required or proposed Remediation of environmental conditions relating to the Property; and (E) any written or oral notice or other communication which Borrower becomes aware from any source whatsoever (including but not limited to a governmental entity) relating in any way to Hazardous Substances or Remediation thereof affecting the Property, possible liability of any person or entity pursuant to any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with anything referred to in this Article 12. Any failure of Borrower to perform its obligations pursuant to this Section 12.2 shall constitute bad faith waste with respect to the Property.

Section 12.3. LENDER'S RIGHTS. Subject to the rights of quiet enjoyment of tenants under existing Leases, Lender and any other person or entity designated by Lender, including but not limited to any receiver, any representative of a governmental entity, and any environmental consultant, shall have the right, but not the obligation, to enter upon the Property at all reasonable times to assess any and all aspects of the environmental condition of the Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lender's sole and absolute discretion) and taking samples of soil, groundwater or other water, air, or building materials, and conducting other invasive testing. Borrower shall cooperate with and provide access to Lender and any such person or entity designated by Lender. The costs and expenses of such assessments shall be borne by Lender except in instances where such report or assessment is performed due to Borrower's failure to comply with its obligations under Section 12.2(f), in which cases the costs and expenses of such assessments shall be paid for by Borrower.

Article 13. INDEMNIFICATION

Section 13.1. GENERAL INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreseeable and unforeseeable consequential damages, of whatever kind or nature (including but not limited to attorneys' fees and other costs of defense) (the "Losses") imposed upon or incurred by or asserted against any Indemnified Parties (defined below) and directly or indirectly arising out of or in any way relating to any one or more of the following which shall have occurred prior to the foreclosure of this Security Instrument (or delivery and acceptance of a deed in lieu of such foreclosure), except to the extent any of the following are attributable to the gross negligence or willful misconduct of an Indemnified Party: (a) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of this Security Instrument or the Note or any of the Other Security Documents, whether or not suit is filed in connection with same, or in connection with Borrower and/or any partner, joint venturer or shareholder thereof becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (e) the failure of any person other than an Indemnified Party to file timely with the Internal Revenue Service an accurate Form 1099 B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument is made; (f) any failure of the Property to be in compliance with any Applicable Laws; (g) the

enforcement by any Indemnified Party of the provisions of this Article 13; (h) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (i) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the loan evidenced by the Note and secured by this Security Instrument; or (j) any misrepresentation made by Borrower in this Security Instrument or any Other Security Document. Any amounts payable to Lender by reason of the application of this Section 13.1 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. As used herein, the term "Indemnified Parties" means Lender and any person or entity who is or will have been involved in the origination of the loan evidenced by the Note, any person or entity who is or will have been involved in the servicing of the loan evidenced by the Note, any person or entity in whose name the encumbrance created by this Security Instrument is or will have been recorded, persons and entities who may hold or acquire or will have held a full or partial interest in the loan evidenced by the Note (including, but not limited to, Investors (as defined herein) or prospective Investors in the Securities (as defined herein), as well as custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the loan evidenced by the Note as well as the respective directors, officers, shareholders, partners, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns of any and all of the foregoing (including but not limited to any other person or entity who holds or acquires or will have held a participation or other full or partial interest in the loan evidenced by the Note or the Property, whether during the term of the loan evidenced by the Note or as a part of or following a foreclosure of the loan evidenced by the Note and including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of Lender's assets and business).

Section 13.2. MORTGAGE AND/OR INTANGIBLE TAX. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Security Instrument, the Note or any of the Other Security Document, except for income taxes and franchise taxes (imposed in lieu of income taxes) imposed on an Indemnified Party as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and the Indemnified Party (excluding a connection arising solely from the Indemnified Party having executed, delivered, or performed its obligations or received a payment under, or enforced, this Security Instrument, the Note and the Other Security Documents) or any political subdivision or taxing authority thereof or therein.

Section 13.3. ERISA INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Sections 4.2 or 5.9.

Section 13.4. ENVIRONMENTAL INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses and costs of Remediation (whether or not performed voluntarily), engineers' fees, environmental consultants' fees, and costs of investigation (including but not limited to sampling, testing, and analysis of soil, water, air, building materials and other materials and substances whether solid, liquid or gas) imposed upon or incurred by or asserted against any Indemnified Parties, and directly or indirectly arising out of or in any way relating to any one or more of the following (except to the extent that (i) any such claims, losses or costs arise from the gross negligence or willful misconduct of any Indemnified Parties or (ii) the same relate solely to Hazardous Substances first introduced to the Property by anyone other than Borrower, its agents or employees following the foreclosure of this Security Instrument (or the delivery and acceptance of a deed in lieu of such foreclosure), the expiration of any right of redemption with respect thereto and the obtaining by the purchaser at such foreclosure sale or grantee under such deed of possession of the Property): (a) any presence of any Hazardous Substances in, on, above, or under the Property; (b) any past, present or threatened Release of Hazardous Substances in, on, above, under or from the Property; (c) any activity by Borrower, any person or entity affiliated with Borrower or any tenant or other user of the Property in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other Release, generation, production, manufacturing, processing, refining, control, management, abatement, removal, handling, transfer or transportation to or from the Property of any Hazardous Substances at any time located in, under, on or above the Property; (d) any activity by Borrower, any person or entity affiliated with Borrower or any tenant or other user of the Property in connection with any actual or proposed Remediation of any Hazardous Substances at any time located in, under, on or above the Property, whether or not such Remediation is voluntary or pursuant to court or administrative order, including but not limited to any removal, remedial or corrective action; (e) any past, present or threatened non compliance or violations of any Environmental Laws (or permits issued pursuant to any Environmental Law) in connection with the Property or operations thereon, including but not limited to any failure by Borrower, any person or entity affiliated with Borrower or any tenant or other user of the Property to comply with any order of any governmental authority in connection with any Environmental Laws; (f) the imposition, recording or filing or the threatened imposition, recording or filing of any Environmental Lien encumbering the Property; (g) any administrative processes or proceedings or judicial proceedings in any way connected with any matter addressed in Article 12 and this Section 13.4; (h) any past, present or threatened injury to, destruction of or loss of natural resources in any way connected with the Property, including but not limited to costs to investigate and assess such injury, destruction or loss; (i) any acts of Borrower or other users of the Property in arranging for disposal or treatment, or arranging with a transporter for transport for disposal or treatment, of Hazardous Substances owned or possessed by such Borrower or other users, at any facility or incineration vessel owned or operated by another person or entity and containing such or similar Hazardous Materials; (j) any acts of Borrower or other users of the Property, in accepting any Hazardous Substances for transport to disposal or treatment facilities, incineration vessels or sites selected by Borrower or such other users, from which there is a Release, or a threatened Release of any Hazardous Substance which causes the incurrence of costs for Remediation; (k) any personal injury, wrongful death, or property damage arising under any statutory or common law or tort law theory, including but not limited to damages assessed for the

maintenance of a private or public nuisance or for the conducting of an abnormally dangerous activity on or near the Property, and arising out of a Release of any Hazardous Substance on, under or about the Property; and (l) any misrepresentation or inaccuracy in any representation or warranty or material breach or failure to perform any covenants or other obligations pursuant to Article 12.

Section 13.5. DUTY TO DEFEND; ATTORNEYS' FEES AND OTHER FEES AND EXPENSES. Upon written request by any Indemnified Party, Borrower shall defend such Indemnified Party (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals reasonably approved by the Indemnified Parties. Notwithstanding the foregoing, any Indemnified Parties may, if they reasonably believe that their interests are not properly being represented by the counsel selected by Borrower, engage their own attorneys and other professionals to defend them. Upon demand, Borrower shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

Article 14. WAIVERS

Section 14.1. WAIVER OF COUNTERCLAIM. Borrower hereby waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against it by Lender arising out of or in any way connected with this Security Instrument, the Note, any of the Other Security Documents, or the Obligations. The foregoing shall not be deemed a waiver of Borrower's right to assert in a separate proceeding any claim against Lender which otherwise would constitute a defense, setoff, counterclaim or crossclaim of any nature arising from and after the date hereof.

Section 14.2. MARSHALLING AND OTHER MATTERS. Borrower hereby waives, to the extent permitted by law, the benefit of all appraisement, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Borrower hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Borrower, and on behalf of each and every person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all persons to the extent permitted by Applicable Law.

Section 14.3. WAIVER OF NOTICE. Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Security Instrument, the Note, or the Other Security Documents specifically and expressly provides for the giving of notice by Lender to Borrower and except with respect to matters for which Lender is required by Applicable Law to give notice, and Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Security Instrument does not specifically and expressly provide for the giving of notice by Lender to Borrower or as required by law.

Section 14.4. DETERMINATIONS BY LENDER. Except as otherwise specifically set forth in the Note, this Security Instrument, or the Other Security Documents, wherever pursuant

to this Security Instrument (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory, and all other decisions and determinations made by Lender, shall be in the reasonable determination of Lender applied in good faith. All approvals of or waivers by Lender in respect of any of the terms, conditions or requirements of this Security Instrument must be in writing. No waiver with respect to any condition, breach or other matter shall extend to or be taken in any manner whatsoever to affect any other condition, breach or matter or affect Lender's rights resulting therefrom.

Section 14.5. SURVIVAL. The indemnifications made pursuant to Sections 13.3 and 13.4 and the representations and warranties, covenants, and other obligations arising under Article 12, shall continue indefinitely in full force and effect and shall survive and shall in no way be impaired by: any satisfaction or other termination of this Security Instrument, any assignment or other transfer of all or any portion of this Security Instrument or Lender's interest in the Property (but, in such case, shall benefit both Indemnified Parties and any assignee or transferee), any exercise of Lender's rights and remedies pursuant hereto including but not limited to foreclosure or acceptance of a deed in lieu of foreclosure, any exercise of any rights and remedies pursuant to the Note or any of the Other Security Documents, any transfer of all or any portion of the Property (whether by Borrower or by Lender following foreclosure or acceptance of a deed in lieu of foreclosure or at any other time), any amendment to this Security Instrument, the Note or the Other Security Documents, and any act or omission that might otherwise be construed as a release or discharge of Borrower from the obligations pursuant hereto. Notwithstanding the foregoing, upon a permitted transfer pursuant to Article 8, the transferee Borrower shall be released from any liability thereafter accruing under any such indemnification provision (other than as to matters which have already occurred).

Section 14.6. WAIVER OF TRIAL BY JURY. BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN EVIDENCED BY THE NOTE, THE APPLICATION FOR THE LOAN EVIDENCED BY THE NOTE, THE NOTE, THIS SECURITY INSTRUMENT OR THE OTHER SECURITY DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

Article 15. EXCULPATION

Section 15.1. EXCULPATION. All rights and remedies of Lender under this Security Instrument and the Other Security Documents are expressly made subject to the limitations and exculpations set forth in Article 14 of the Note, the provisions of which are incorporated herein by this reference.

Article 16. NOTICES

Section 16.1. NOTICES. (a) All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person with receipt

acknowledged by the recipient thereof, (ii) one (l) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: Waikele Reserve West Holdings, LLC
Waikele Venture Holdings, LLC
11455 El Camino Real, Suite 200
San Diego, California 92130
Attention: John W. Chamberlain and Robert Barton
Facsimile No.: (619) 350-2620

If to Lender: Bear Stearns Commercial Mortgage, Inc.
383 Madison Avenue
New York, New York 10179
Attention: J. Christopher Hoeffel
Facsimile No.: (212) 272-7047

or addressed as such party may from time to time designate by written notice to the other parties. Either party by notice to the other may designate additional or different addresses for subsequent notices or communications. For purposes of this Security Instrument, "**Business Day**" shall mean any day other than Saturday, Sunday or any other day on which banks are authorized or required to close in New York, New York.

Article 17. SERVICE OF PROCESS

Section 17.1. CONSENT TO SERVICE. (a) Borrower will maintain a place of business or an agent for service of process in San Diego County, California and give prompt notice to Lender of the address of such place of business and of the name and address of any new agent appointed by it, as appropriate. Borrower further agrees that the failure of its agent for service of process to give it notice of any service of process will not impair or affect the validity of such service or of any judgment based thereon. If, despite the foregoing, there is for any reason no agent for service of process of Borrower available to be served, and if it at that time has no place of business in San Diego County, California, then Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, to it at its address given in or pursuant to the first paragraph hereof.

Section 17.2. Borrower initially and irrevocably designates John W. Chamberlain with offices on the date hereof at 11455 El Camino Real, Suite 200, San Diego, California 92130, to receive for and on behalf of Borrower service of process with respect to this Security Instrument.

Article 18. APPLICABLE LAW

Section 18.1. CHOICE OF LAW. THIS SECURITY INSTRUMENT SHALL BE DEEMED TO BE A CONTRACT ENTERED INTO PURSUANT TO THE LAWS OF THE STATE OF CALIFORNIA AND SHALL IN ALL RESPECTS BE GOVERNED, CONSTRUED, APPLIED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE LAWS OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIEN AND SECURITY INTEREST CREATED PURSUANT HERETO AND PURSUANT TO THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF CALIFORNIA SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING THEREUNDER.

Section 18.2. USURY LAWS. This Security Instrument and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Debt at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by Applicable Law to contract or agree to pay. If by the terms of this Security Instrument or the Note, Borrower is at any time required or obligated to pay interest on the Debt at a rate in excess of such maximum rate, the rate of interest under the Security Instrument and the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

Section 18.3. PROVISIONS SUBJECT TO APPLICABLE LAW. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any Applicable Law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

Article 19. SECONDARY MARKET

Section 19.1. TRANSFER OF LOAN. Lender may, at any time, sell, transfer or assign the Note, this Security Instrument and the Other Security Documents, and any or all servicing rights with respect thereto, or grant participations therein or issue mortgage passthrough

certificates or other securities evidencing a beneficial interest in a rated or unrated public offering or private placement (the "**Securities**"). Lender may forward to each purchaser, transferee, assignee, servicer, participant or investor in such Securities or any Rating Agency rating such Securities (collectively, the "**Investor**") and each prospective Investor, all documents and information which Lender now has or may hereafter acquire relating to the Debt, Sponsor, Indemnitor and to Borrower, and the Property, whether furnished by Borrower, or otherwise, as Lender determines necessary or desirable. Borrower agrees to reasonably cooperate with Lender in connection with any transfer made or any Securities created pursuant to this Security Instrument, including, without limitation, the delivery of an estoppel certificate in accordance therewith, and such other documents as may be reasonably requested by Lender. Borrower shall also furnish and Borrower consents to Lender furnishing to such Investors or such prospective Investors or Rating Agency any and all information concerning the Property, the Leases, the financial condition of Borrower, Indemnitor or Sponsor as may be requested by Lender, any Investor or any prospective Investor or Rating Agency in connection with any sale, transfer or participation interest. Lender may retain or assign responsibility for servicing the Note, this Security Instrument, and the Other Security Documents, or may delegate some or all of such responsibility and/or obligations to a servicer including, but not limited to, any subservicer or master servicer. Lender may make such assignment or delegation on behalf of the Investors if the Note is sold or this Security Instrument or the Other Security Documents are assigned. All references to Lender herein shall refer to and include any such servicer to the extent applicable.

Section 19.2. CONVERSION TO REGISTERED FORM. At the request and the expense of Lender, Borrower shall appoint, as its agent, a registrar and transfer agent (the "**Registrar**") reasonably acceptable to Lender which shall maintain, subject to such reasonable regulations as it shall provide, such books and records as are necessary for the registration and transfer of the Note in a manner that shall cause the Note to be considered to be in registered form for purposes of Section 163(f) of the Code. The option to convert the Note into registered form once exercised may not be revoked. Any agreement setting out the rights and obligation of the Registrar shall be subject to the reasonable approval of Lender. Borrower may revoke the appointment of any particular person as Registrar, effective upon the effectiveness of the appointment of a replacement Registrar. The Registrar shall not be entitled to any fee from Borrower or Lender or any other lender in respect of transfers of the Note and Security Instrument (other than Taxes and governmental charges and fees).

Section 19.3. COOPERATION. Borrower acknowledges that Lender and its successors and assigns may (a) sell this Security Instrument, the Note and Other Security Documents to one or more third parties as a whole loan, (b) participate the Loan secured by this Security Instrument to one or more third parties, (c) deposit, through one or a series of transactions, this Security Instrument, the Note and Other Security Documents with one or more trusts, which trusts may sell certificates to third parties evidencing an ownership interest in the trust assets or (d) otherwise sell the Loan or interest therein to third parties (The transaction referred to in clauses (a), (b), (c) and (d) shall hereinafter be referred to collectively as "**Secondary Market Transactions**" and the transactions referred to in clause (c) shall hereinafter be referred to as a "**Securitization**". Any certificates, notes or other securities issued in connection with a Securitization are hereinafter referred to as "**Securities**"). Borrower shall cooperate in good faith (provided such cooperation will not result in expense or additional potential liability to Borrower) with Lender in effecting any such Secondary Market Transaction and shall cooperate

in good faith to implement all requirements imposed by any Rating Agency issuing any statistical rating in any Secondary Market Transaction or the requirements of potential investors in any Secondary Market Transaction. Borrower agrees to make upon Lender's written request, and at no material cost to Borrower, without limitation, all structural or other changes to the Loan (including delivery of one or more new component notes to replace any original Individual Note or modify any original Individual Note to reflect multiple components of the Loan and such new notes or modified note may have different interest rates and amortization schedules), modifications to any documents evidencing or securing the Loan, delivery of opinions of counsel acceptable to the Rating Agencies or potential investors and addressing such matters as the Rating Agencies or potential investors may require; provided, however, notwithstanding anything to the contrary in this Security Instrument, the Note, or the Other Security Documents, Borrower shall not be required to modify any documents evidencing or securing the Loan (or otherwise take any action) which would modify (i) the initial weighted average interest rate payable under the Note, (ii) the stated maturity of the Note, (iii) the aggregate amortization of principal of the Note, (iv) any other material economic term of the Loan, (v) decrease the time periods during which Borrower is permitted to perform its obligations under this Security Instrument or any of the Other Security Documents, or (vi) otherwise increase Borrower's or Indemnitor's obligations or decrease any of their rights under the Note, this Security Instrument or any of the other Security Documents except as otherwise expressly permitted herein. Borrower shall provide such information and documents relating to Borrower, Indemnitor, Sponsor, the Property and any tenants of the Improvements as Lender may reasonably request in connection with a Secondary Market Transaction. Lender shall have the right to provide to prospective investors or Rating Agencies any information in its possession, including, without limitation, financial statements relating to Borrower, Sponsor, Indemnitor, the Property and any tenant of the Improvements. Borrower acknowledges that certain information regarding the Loan and the parties thereto, Sponsor and the Property may be included in disclosure documents in connection with the Securitization, including an offering circular, a prospectus, prospectus supplement, private placement memorandum or other offering document (each, an "**Disclosure Document**") and may also be included in filings with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "**Securities Act**"), or the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"), and may be made available to investors or prospective investors in the Securities, the Rating Agencies, and service providers relating to the Securitization.

Section 19.4. MEZZANINE OPTION. Lender shall have the right (the "**Mezzanine Option**") at any time to divide the loan into two parts, a mortgage loan and a mezzanine loan, provided, that (i) the total loan amounts for such mortgage loan and such mezzanine loan shall equal the then outstanding amount of the Loan immediately prior to Lender's exercise of the Mezzanine Option and (ii) the weighted average interest rate of such mortgage loan and mezzanine loan shall equal the Interest Rate. Borrower shall cooperate with Lender in Lender's exercise of the Mezzanine Option in good faith and in a timely manner, which such cooperation shall include, but not be limited to, (i) executing such amendments to the Loan Documents and Borrower or any SPE Component Entity's organizational documents as may be reasonably requested by Lender or requested by the Rating Agencies (which such amendments shall include, without limitation, (1) providing that the Equity Collateral (defined below) be certificated (such that the holder of such certificated Equity Collateral would have "protected purchaser" status under Article 8 of the Uniform Commercial Code) and/or (2) providing that any restrictions on

the actions of Mezzanine Borrower, any SPE Component Entity and/or Borrower (such as the need to obtain the consent of any constituent parties of Mezzanine Borrower prior to taking any actions) shall be of no further force or effect upon a foreclosure of the Equity Collateral), (ii) creating a single purpose, bankruptcy remote entity satisfying the requirements of 4.3 hereof and of the Rating Agencies (the "**Mezzanine Borrower**"), which such Mezzanine Borrower shall (A) own, directly or indirectly, 100% of the equity ownership interests in Borrower (the "**Equity Collateral**"), and (B) together with such constituent equity owners of such Mezzanine Borrower or Borrower as may be designated by Lender, execute such agreements, instruments and other documents as may be required by Lender in connection with the mezzanine loan (including, without limitation, a promissory note evidencing the mezzanine loan and a pledge and security agreement pledging the Equity Collateral to Lender as security for the mezzanine loan); and (iii) delivering such opinions, title endorsements, UCC title insurance policies and other materials as may be required by Lender or the Rating Agencies. Lender hereby acknowledges and agrees that, notwithstanding anything to the contrary contained herein, (i) the exercise of the Mezzanine Option may not change the amount of aggregate amount of monthly debt service payments due under the Loan or the amortization term of the Loan and shall not require Borrower to further subdivide the Property, (ii) the institution of the Mezzanine Option (and the documentation relating thereto) may not diminish any of Borrower's (or Guarantor's) rights or increase any potential costs or liabilities of Borrower (or Guarantor) other than to the extent the aforesaid rights, costs or liabilities would be affected if the Loan were divided into a mortgage loan portion and a mezzanine loan portion (as contemplated hereby) as of the date of closing of the Loan and (iii) with respect to the foregoing provisions of this Section 19.4, the same are (A) restrictions and requirements customarily imposed by Lender in connection with commercial loans similar to the Loan and (B) intended to be restrictions and requirements which are "consistent with customary commercial lending practices" within the meaning of the applicable provisions of Revenue Procedure 2002-22. Lender will pay its own and Borrower's reasonable fees and expenses incurred in connection with the exercise of the Mezzanine Option.

Article 20. COSTS

Section 20.1. PERFORMANCE AT BORROWER'S EXPENSE. Borrower acknowledges and confirms that Lender may impose certain reasonable administrative, processing and/or commitment fees in connection with (a) the extension, renewal, modification, amendment and termination of its loan, (b) the release or substitution of collateral therefor, (c) if the servicer, in its reasonable determination, anticipates that there will occur an Event of Default and the Loan is transferred to a special servicer, (d) obtaining certain consents, waivers and approvals required hereunder (including, without limitation, Ratings Confirmations), and/or (e) the review of any Major Lease, proposed Major Lease or any other Lease for which Lender's approval is required hereunder or the preparation or review of any subordination, non disturbance agreement. Borrower further acknowledges and confirms that it shall be responsible for the payment of all costs of reappraisal of the Property or any part thereof required by law, regulation, any governmental or quasi governmental authority. Subject to the limitations on cost and expense in Section 19.3 above, Borrower hereby acknowledges and agrees to pay, immediately, with or without demand, all such fees (as the same may be increased or decreased from time to time), and any additional fees of a similar type or nature which may be imposed by Lender from time to time, upon the occurrence of any Event of Default. Wherever it is provided for herein that Borrower pay any costs and expenses, such costs and expenses shall include, but

not be limited to, all reasonable legal fees and disbursements of Lender, whether retained firms, the reimbursement for the expenses of in house staff or otherwise. Whenever it is provided herein or in any other Loan Document that a Ratings Confirmation (or similar approval) by any Rating Agency is required hereunder (or under any other Loan Document), Borrower shall be responsible for the reasonable fees and other charges imposed by any Rating Agency in connection therewith as well as Lender's reasonable costs and expenses incurred in connection therewith.

Section 20.2. ATTORNEYS' FEES FOR ENFORCEMENT. (a) Borrower shall pay all reasonable legal fees incurred by Lender in connection with the items set forth in Section 20.1 above, and (b) Borrower shall pay to Lender on demand any and all expenses, including legal expenses and attorneys' fees, reasonably incurred or paid by Lender in protecting its interest in the Property or Personal Property or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property or Personal Property, whether or not any legal proceeding is commenced hereunder or thereunder and whether or not any default or Event of Default shall have occurred and is continuing, together with interest thereon at the Default Rate from the date paid or incurred by Lender until such expenses are paid by Borrower.

Article 21. DEFINITIONS

Section 21.1. GENERAL DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "Borrower" shall mean "each Borrower, each party comprising Borrower (if Borrower consists of more than one person or entity) and any subsequent owner or owners of the Property or any part thereof or any interest therein"; the word "Lender" shall mean "Lender and any subsequent holder of the Note"; the word "Note" shall mean "the Note and any other evidence of indebtedness secured by this Security Instrument"; the word "person" shall include an individual, corporation, limited liability company, partnership, trust, unincorporated association, government, governmental authority, and any other entity, the word "Property" shall include any portion of the Property and any interest therein, and the phrases "attorneys' fees" and "counsel fees" shall include any and all reasonable attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder.

Article 22. MISCELLANEOUS PROVISIONS

Section 22.1. NO ORAL CHANGE. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 22.2. LIABILITY. If there is more than one Borrower, the obligations and liabilities of each such person hereunder shall be joint and several. This Security Instrument shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever.

Section 22.3. INAPPLICABLE PROVISIONS. If any term, covenant or condition of the Note or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Note and this Security Instrument shall be construed without such provision.

Section 22.4. HEADINGS, ETC. The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

Section 22.5. DUPLICATE ORIGINALS; COUNTERPARTS. This Security Instrument may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Security Instrument may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Security Instrument. The failure of any party hereto to execute this Security Instrument, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

Section 22.6. NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 22.7. SUBROGATION. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the repayment of the Debt, the performance and discharge of Borrower's obligations hereunder, under the Note and the Other Security Documents and the performance and discharge of the Other Obligations.

Section 22.8. ENTIRE AGREEMENT. The Note, this Security Instrument and the Other Security Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the Debt and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect thereto. Borrower hereby acknowledges that, except as incorporated in writing in the Note, this Security Instrument and the Other Security Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, this Security Instrument and the Other Security Documents.

Section 22.9. TAX DISCLOSURE. Notwithstanding anything herein or in any other Loan Document to the contrary, except as reasonably necessary to comply with applicable securities laws, each party (and each employee, representative or other agent of each party) hereto may disclose to any and all Persons, without limitation of any kind, any information with

respect to the United States federal income "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to such parties (or their representatives) relating to such tax treatment and tax structure; provided, that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the United States federal income tax treatment or tax structure of the transactions contemplated hereby.

Section 22.10. APPLICATION OF PROCEEDS. Notwithstanding anything to the contrary contained herein or in any other Loan Document, in the event that Lender, in the exercise of its rights or remedies hereunder or under any other Loan Document, elects to apply any sums realized by Lender as a result of such exercise of rights or remedies to any amounts due under the Note in accordance with the applicable terms and conditions hereof and of the other Loan Documents, such sums shall be deemed to be applied to each Individual Note in an amount equal to (1) the total amount of sums to be applied, *multiplied by* (2) the Proportionate Share (hereafter defined) allocated to such Individual Note. As used herein, the term **"Proportionate Share"** shall mean the amount obtained by dividing (i) the original principal amount of each applicable Individual Note *by* (ii) the original principal amount of the Loan as evidenced by all of the Individual Notes.

[PROVISIONS CONTINUE ON FOLLOWING PAGE]

Section 22.11. DUE ON SALE/ENCUMBRANCE. Borrower expressly agrees that upon a violation of Article 8 of this Security Instrument by Borrower and acceleration of the principal balance of the Note because of such violation, Borrower will pay all sums required to be paid in connection with a prepayment, if any, as described in the Note, herein imposed on prepayment after an Event of Default and acceleration of the principal balance. Borrower expressly acknowledges that Borrower has received adequate consideration for the foregoing agreement.

WAIKELE RESERVE WEST HOLDINGS, LLC
a Delaware limited liability company

By: /s/ John Chamberlain
John Chamberlain, President

By: /s/ Robert Barton
Robert Barton, CFO

WAIKELE VENTURE HOLDINGS, LLC
a Delaware limited liability company

By: /s/ John Chamberlain
John Chamberlain, President

By: /s/ Robert Barton
Robert Barton, CFO

[NO FURTHER TEXT ON THIS PAGE]

Section 22.12 SPECIAL STATE OF HAWAII PROVISIONS.

(a) In the event of any conflict between the provisions of this Section 22.12 and any provision of this Security Instrument, then the provisions of this Section 22.12 shall control.

(b) Borrower, at its sole cost, for the mutual benefit of Lender and Borrower, shall obtain and maintain (or cause to be obtained and maintained) during the term of this Loan policies of insurance in accordance with Section 3.3 hereof.

NOTICE IS HEREBY GIVEN BY LENDER TO BORROWER THAT LENDER MAY NOT CONDITION THE GRANTING OF THE LOAN SECURED BY THIS SECURITY INSTRUMENT ON BORROWER PROCURING ANY INSURANCE WHICH BORROWER IS REQUIRED TO OBTAIN UNDER THIS SECURITY INSTRUMENT FROM ANY SPECIFIC INSURANCE COMPANY OR ASSOCIATION DESIGNATED BY LENDER. BORROWER MAY PURCHASE THE INSURANCE REQUIRED HEREUNDER FROM AN INSURER OR PRODUCER OF BORROWER'S CHOICE, SUBJECT ONLY TO LENDER'S RIGHT TO REJECT A GIVEN INSURER OR PRODUCER NOT MEETING THE REQUIREMENTS SET FORTH IN SECTION 3.3 HEREOF.

(c) This Security Instrument shall be deemed to be and shall be construed as a mortgage of real property as well as a security agreement, financing statement, fixture filing and assignment of rents and profits. Lender is, for the purposes of this Security Instrument, deemed to be the "debtor", and Borrower is deemed to be the "secured party", as those terms are used in the Uniform Commercial Code in effect in the State of Hawaii, as amended. The addresses of the secured party and debtor, from which information concerning the security agreement may be obtained, are set forth in the initial paragraph of this Security Instrument. Borrower hereby authorizes Lender to file any and all financing statements, amendments to financing statements and extensions of financing statements pertaining to the Property. If an Event of Defaults occurs and is continuing, Lender shall have all of the rights and powers of a mortgagee under Hawaii Revised Statutes, Chapter 667, as amended, including but not limited to the power of sale.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Borrower has executed this instrument the day and year first above written.

WAIKELE RESERVE WEST HOLDINGS, LLC
a Delaware limited liability company

By: /s/ John Chamberlain
John Chamberlain, President

By: /s/ Robert Barton
Robert Barton, CFO

WAIKELE VENTURE HOLDINGS, LLC
a Delaware limited liability company

By: /s/ John Chamberlain
John Chamberlain, President

By: /s/ Robert Barton
Robert Barton, CFO

Schedule 1

"**Debt Service Coverage Ratio**" means the ratio of (a) Net Operating Income, to (b) Annual Debt Service, all as determined by Lender.

"**Annual Debt Service**" means an amount equal to twelve (12) times the then applicable Monthly Payment (as defined in the Note) payable under the Note.

"**Net Operating Income**" means for the 12-month period immediately preceding the date of calculation, (A) all sustainable Rents and other income received from the Property received from tenants during such 12-month period, less (B) all Operating Expenses for such 12-month period and any Extraordinary Expenses approved by Lender and applicable to such 12-month period.

"**Operating Expenses**" means the aggregate of the following items: (a) real estate taxes, general and special assessments or similar charges, other than Taxes; (b) sales, use and personal property taxes; (c) management fees of not less than 3.5% of the gross income derived from the operation of the Property and disbursements for management services whether such services are performed at the Property or off-site; (d) wages, salaries, pension costs and all fringe and other employee-related benefits and expenses, of all employees up to and including (but not above) the level of the on-site manager, engaged in the repair, operation and maintenance of the Property and service to tenants and on-site personnel engaged in audit and accounting functions performed by Borrower; (e) insurance premiums including, but not limited to, casualty, liability, rent and fidelity insurance premiums, other than Insurance Premiums; (f) cost of all electricity, oil, gas, water, steam, HVAC and any other energy, utility or similar item and overtime services, the cost of building and cleaning supplies, and all other administrative, management, ownership, operating, advertising, marketing and maintenance expenses incurred by Borrower (and not paid directly by any tenant) in connection with the operation of the Property; (g) costs of necessary cleaning, repair, replacement, maintenance, decoration or painting of existing improvements on the Property (including, without limitation, parking lots and roadways), of like kind or quality or such kind or quality which is necessary to maintain the Property to the same standards as competitive properties of similar size and location of the Property; (h) the cost of such other maintenance materials, HVAC repairs, parts and supplies, and all equipment to be used in the ordinary course of business, which is not capitalized in accordance with approved accounting method; (i) legal, accounting and other professional expenses incurred in connection with the Property; (j) casualty losses to the extent not reimbursed by a third party; and (k) to the extent not already included in any of (f)-(h) above, a reserve for structural repairs, normalized leasing commissions and tenant improvements equal to the greater of (i) $250,000 or (ii) the minimum requirements of any Rating Agency therefore. The Operating Expenses shall be based on the above-described items actually incurred or payable on an accrual basis in accordance with the Approved Accounting Method by Borrower during the twelve (12) month period ending one month prior to the date on which the Net Operating Income is to be calculated, with customary adjustments for items such as taxes and insurance which accrue but are paid periodically, as adjusted by Lender to reflect projected adjustments for only those items which are definitively ascertainable and of a fixed amount (for example, real estate taxes) for the subsequent twelve (12) month period beginning on the date on which the Net Operating Income is to be calculated. Notwithstanding the foregoing, the term "Operating Expenses" shall not include (i) depreciation

or amortization or any other non-cash item of expense unless approved by Lender, (ii) interest, principal, fees, costs and expense reimbursements of Lender in administering the Loan or exercising remedies under the Note, this Security Instrument or the Other Security Documents; or (iii) any expenditure properly treated as a capital item under the Approved Accounting Method.

"**Extraordinary Expenses**" means expenses incurred in connection with necessary capital improvements or operating expenses of the Property which were not reasonably anticipated in the Approved Annual Budget, in each case as reasonably approved by Lender; provided, that, Borrower shall promptly deliver to Lender a reasonably detailed explanation of such proposed Extraordinary Expense prior to Lender's approval thereof.

EXHIBIT A

LEGAL DESCRIPTION

(attached hereto)

EXHIBIT A

LEGAL DESCRIPTION – WAIKELE CENTER

PARCEL FIRST: (TMK: (1) 9-4-007-056)

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

Lot 13213-B, area 9.772 acre, more or less, as shown on Map 1005, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1000 of John Ii Estate, Limited.

TOGETHER WITH the following appurtenant easements:

(1) Crossings Numbers 3, 4, 5, 6 and 7 over Kamehameha Highway, and Crossing Number 28 over Government Main Road, as more particularly described in Exchange Deed between John Ii Estate, Limited, State of Hawaii and Oahu Sugar Company, Limited, dated June 13, 1934, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1243 at Page 270, being certain of the easements mentioned in paragraph (7) of the list of appurtenant rights and easements in Certificate of Title No. 51,587.

(2) Easements over Lot 2-C more particularly described in Exchange Deed in favor of the State of Hawaii, being Document No. 64386, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1708 at Page 468, noted on Original Certificate of Title No. 13,843, and on Transfer Certificate of Title No. 26,248 issued to the State of Hawaii.

Together also with non-exclusive rights of access appurtenant to Lot I3213, to be used in common with all others entitled thereto, over and across Roadway Lot 13813, as shown on Map 837, Roadway Lot 13193, as shown on Map 819, and Roadway Lots 13 and 14, as shown on File Plan No. 2057; provided, however, whenever any or all of said roadway lots are conveyed or dedicated to and accepted by the City and County of Honolulu or other governmental authority for use as public roadways or any part thereof shall be so dedicated and accepted, such rights of access over and across such roadway lots or part thereof so dedicated and accepted shall automatically terminate, reserving, however, unto Amfac Property Investment Corp., its successors and/or assigns, the right to so convey or dedicate such roadway lots to the City and County of Honolulu or other governmental authority for use as public roadways.

Being all of the property described in and covered by Transfer Certificate of Title No. 716,235 and _____.

PARCEL SECOND: (TMK (1) 9-4-007-054)

(Item A)

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

Lot 13211-B, area 12.686 acre, more or less, as shown on Map 1004, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No, 1000 of John Ii Estate, Limited.

TOGETHER WITH the following appurtenant easements:

(1) Crossings Numbers 3, 4, 5, 6 and 7 over Kamehameha Highway, and Crossing Number 28 over Government Main Road, as more particularly described in Exchange Deed between John Ii Estate, Limited, State of Hawaii and Oahu Sugar Company, Limited, dated June 13, 1934, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1243 at Page 270, being certain of the easements mentioned in paragraph (7) in the list of appurtenant rights and easements in Certificate of Title No. 51,587.

(2) Easements over Lot 2-C more particularly described in Exchange Deed in favor of the State of Hawaii, being Document No. 64386, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1708 at Page 468, noted on Original Certificate of Title No. 13,843, and on Transfer Certificate of Title No. 26,428 issued to the State of Hawaii.

Being all of the property described in and covered by Transfer Certificate of Title No. 716,235, and _____.

(Item B)

All of that certain parcel of land situate at Waikele, District of Ewa, City and County of Honolulu, State of Hawaii, being LOT 9, of the “WAIKELE DEVELOPMENT PHASE II”, as shown on File Plan No. 2057, filed in the Bureau of Conveyances of the State of Hawaii, and containing an area of 19.179 acres, more or less.

AS TO PARCEL SECOND (Items A and B)

Together with non-exclusive rights of access to be used in common with all others entitled thereto, over and across Roadway Lot 13813, as shown on Map 837, Roadway Lot 13193, as shown on Map 819, and Roadway Lots 13 and 14, as shown on File Plan 2057, provided, however, whenever any or all of said roadway lots are conveyed or dedicated to and accepted by the City and County of Honolulu or other governmental authority for use as public roadways or any part thereof shall be so dedicated and accepted, such rights of access over and across such roadway lots or part thereof so dedicated and accepted shall automatically terminate, reserving, however, unto Amfac Property Investment Corp., its successors and/or assigns, the right to so convey or dedicate such roadway lots to the City and County of Honolulu or other governmental authority for use as public roadways.

NOTE: Lot 13211, as shown on Map 820, filed with Land Court Application No. 1000 of the John Ii Estate, Limited and Lot 9, as shown on File Plan No. 2057, shall not be sold separately, as set forth by Land Court Order No. 104945, filed December 9, 1991.

(Item C)

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Royal Patent Number 5732, Land Commission Award Number 8241 to Inone Ii) situate, lying and being at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, being REMAINDER PARCEL 14 of the “Interstate Highway” Federal Aid Project No. I-H-1(22), Kunia Interchange to Waiawa Interchange, being also a portion of Reservoir Lot, Exclusion 1 of Land Court Application 1000, and thus bounded and described:

Beginning at the southeast corner of this piece of land, being also the southwest corner of Lot 13,213, Map 820 of Land Court Application No. 1000, on the north side of Interstate Highway, Federal Aid Project No. I-H1-1(22), the coordinates of said point of beginning referred to “Hawaiian Plane Coordinate Grid System, Zone III” (Central Meridian 158 00’ 00”) being 85,628.69 feet north and 497,650.29 feet east, thence running by azimuths measured clockwise from true South:

1.	68º	52’	50”	10.86	feet along the north side of interstate Highway, Project no. I-H1-1(22)
2.	338º	52’	50”	20.00	feet along same
3.	68º	52’	50”	72.00	feet along same
4.	158º	52’	50”	20.00	feet along same
5.	68	52’	50”	20.00	
6.	172º	25’	37.7”	84.01	feet along Lot 13,211, map 820 of Land Court Application 1000
7.	262º	25’	37.7”	100.00	feet along same
8.	352º	25’	37.7”	59.92	feet along Lot 13,213, map 820 of Land Court Application 1000 to the point of beginning and containing an area of 8,686 square feet or 0.198 acre, more or less.

EXHIBIT B

FORM OF SNDA

(attached hereto)

BEAR STEARNS COMMERCIAL MORTGAGE, INC.
(Lender)

- and -

[_____]
(Tenant)

- and –

WAIKELE RESERVE WEST HOLDINGS, LLC, and

[_____]
(collectively, Landlord)

SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT

Dated:

Location:

Section:
Block:
Lot:
County:

PREPARED BY AND UPON
RECORDATION RETURN TO:

_____
_____
_____
Attention: _____

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "**Agreement**") is made as of the __ day of _____, 200[__] by and among **BEAR STEARNS COMMERCIAL MORTGAGE, INC.**, a New York corporation, having an address at 383 Madison Avenue, New York, New York 10179 (together with its successors and assigns, "**Lender**"), [_____] ("**Tenant**") and **WAIKELE RESERVE WEST HOLDINGS, LLC,** a Delaware limited liability company, having an address at 11455 El Camino Real, Suite 200, San Diego, California 92130 ("**West**") and **WAIKELE VENTURE HOLDINGS, LLC,** a Delaware limited liability company, having an address at 11455 El Camino Real, Suite 200, San Diego, California 92130 ("**Venture**"; West and Venture are individually or collectively (as the context requires) referred to herein as **"Landlord"**).

RECITALS:

A. Lender is the present owner and holder of a certain Mortgage and Security Agreement (the "**Security Instrument**") given by Landlord to Lender which encumbers the fee estate of Landlord in certain premises described in Exhibit A attached hereto (the "**Property**") and which secures the payment of certain indebtedness owed by Landlord to Lender evidenced by the Note (as defined in the Security Instrument);

B. Tenant is the holder of a leasehold estate in a portion of the Property under and pursuant to the provisions of a certain [Lease] dated [_____, 200[__] between Landlord, as landlord, and Tenant, as tenant (the "**Lease**"); and

C. Tenant has agreed to subordinate the Lease to the Security Instrument and Lender has agreed to grant non-disturbance to Tenant under the Lease on the terms and conditions hereinafter set forth.

AGREEMENT:

For good and valuable consideration, Tenant, Lender and Landlord agree as follows:

1. Subordination. The Lease and all of the terms, covenants and provisions thereof and all rights, remedies and options of Tenant thereunder are and shall at all times continue to be subject and subordinate to the lien and terms of the Security Instrument, including without limitation, all renewals, increases, modifications, spreaders, consolidations, replacements and extensions thereof and to all sums secured thereby and advances made thereunder with the same force and effect as if the Security Instrument had been executed, delivered and recorded prior to the execution and delivery of the Lease.

2. Non-Disturbance. If any action or proceeding is commenced by Lender for the foreclosure of the Security Instrument or the sale of the Property, Tenant shall not be named as a party therein unless such joinder shall be required by law, provided, however, such joinder shall not result in the termination of the Lease or disturb the Tenant's possession or use

of the premises demised thereunder, and the sale of the Property in any such action or proceeding and the exercise by Lender of any of its other rights under the Note or the Security Instrument shall be made subject to all rights of Tenant under the Lease, provided that at the time of the commencement of any such action or proceeding or at the time of any such sale or exercise of any such other rights (a) the term of the Lease shall have commenced pursuant to the provisions thereof, (b) Tenant shall be in possession of the premises demised under the Lease, (c) the Lease shall be in full force and effect and (d) Tenant shall not be in default beyond any applicable notice and cure period under any of the terms, covenants or conditions of the Lease or of this Agreement on Tenant's part to be observed or performed.

3. Attornment. If Lender or any other subsequent purchaser of the Property shall become the owner of the Property by reason of the foreclosure of the Security Instrument or the acceptance of a deed or assignment in lieu of foreclosure or by reason of any other enforcement of the Security Instrument (Lender or such other purchaser being hereinafter referred as "**Purchaser**"), and the conditions set forth in Section 2 above have been met at the time Purchaser becomes owner of the Property, the Lease shall not be terminated or affected thereby but shall continue in full force and effect as a direct lease between Purchaser and Tenant upon all of the terms, covenants and conditions set forth in the Lease and in that event, Tenant agrees to attorn to Purchaser and Purchaser by virtue of such acquisition of the Property shall be deemed to have agreed to accept such attornment, provided, however, that Purchaser shall not be (a) liable for the failure of any prior landlord (any such prior landlord, including Landlord and any successor landlord, being hereinafter referred to as a "**Prior Landlord**") to perform any of its obligations under the Lease which have accrued prior to the date on which Purchaser shall become the owner of the Property, provided that the foregoing shall not limit Purchaser's obligations under the Lease to correct any conditions of a continuing nature that (i) existed as of the date Purchaser shall become the owner of the Property and (ii) violate Purchaser's obligations as landlord under the Lease; provided further, however, that Purchaser shall have received written notice of such omissions, conditions or violations and has had a reasonable opportunity to cure the same, all pursuant to the terms and conditions of the Lease, (b) subject to any offsets, defenses, abatements or counterclaims which shall have accrued in favor of Tenant against any Prior Landlord prior to the date upon which Purchaser shall become the owner of the Property, except for those that are specifically provided for in the Lease, (c) liable for the return of rental security deposits, if any, paid by Tenant to any Prior Landlord in accordance with the Lease unless such sums are actually received by Purchaser, (d) bound by any payment of rents, additional rents or other sums which Tenant may have paid more than one (1) month in advance to any Prior Landlord unless (i) such sums are actually received by Purchaser or (ii) such prepayment shall have been expressly approved of by Purchaser, (e) bound by any agreement terminating or amending or modifying the rent, term, commencement date or other material term of the Lease, or any voluntary surrender of the premises demised under the Lease, made without Lender's or Purchaser's prior written consent prior to the time Purchaser succeeded to Landlord's interest (provided, however, Purchaser's consent is not required for a termination of the Lease exercised pursuant to the original terms of the Lease) or (f) bound by any assignment of the Lease or sublease of the Property, or any portion thereof, made prior to the time Purchaser succeeded to Landlord's interest other than if pursuant to the provisions of the Lease. In the event that any liability of Purchaser does arise pursuant to this Agreement, such liability shall be limited and restricted to Purchaser's interest in the Property and shall in no event exceed such interest. Alternatively, upon the written request of Lender or its successors or assigns, Tenant

shall enter into a new lease of the Premises with Lender or such successor or assign for the then remaining term of the Lease, upon the same terms and conditions as contained in the Lease (including without limitation any renewal options), except as otherwise specifically provided in this Agreement.

4. Notice to Tenant. After notice is given to Tenant by Lender that the Landlord is in default under the Note and the Security Instrument and that the rentals under the Lease should be paid to Lender pursuant to the terms of the assignment of leases and rents executed and delivered by Landlord to Lender in connection therewith, Tenant shall thereafter pay to Lender or as directed by the Lender, all rentals and all other monies due or to become due to Landlord under the Lease and Landlord hereby expressly authorizes Tenant to make such payments to Lender and hereby releases and discharges Tenant from any liability to Landlord on account of any such payments.

5. Intentionally Omitted.

6. Notice to Lender and Right to Cure. Tenant shall notify Lender of any default by Landlord under the Lease if the default is of such a nature as to give Tenant a right to terminate the Lease, reduce the rent or to credit or offset any amounts against future rents, and agrees that, notwithstanding any provisions of the Lease to the contrary, no notice of cancellation thereof or of an abatement shall be effective unless Lender shall have received notice of default giving rise to such cancellation or abatement and (i) in the case of any such default that can be cured by the payment of money, until thirty (30) days shall have elapsed following the giving of such notice or (ii) in the case of any other such default, until a reasonable period for remedying such default shall have elapsed following the giving of such notice, provided Lender, with reasonable diligence, shall have commenced and continued to remedy such default or cause the same to be remedied. Notwithstanding the foregoing, (i) Lender shall have no obligation to cure any such default and (ii) in the event that any aforesaid default cannot, by its nature, be cured by Lender prior to Lender's gaining possession of Landlord's interest in the Property, the aforesaid "reasonable period for remedying such default" shall be deemed to include such time as is required for Lender to gain possession of Tenant's interest in the Property.

7. Notices. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person with receipt acknowledged by the recipient thereof, (ii) one (1) Business Day (hereinafter defined) after having been deposited for one (1) day overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Tenant: [_____]

If to Lender: Bear Stearns Commercial Mortgage, Inc.
383 Madison Avenue
New York, New York 10179
Attention: J. Christopher Hoeffel
Facsimile No.: (212) 272-7047

With a copy to: c/o American Assets, Inc.
11455 El Camino Real, Suite 200
San Diego, California 92130

or addressed as such party may from time to time designate by written notice to the other parties. For purposes of this Section 7, the term “Business Day” shall mean a day on which commercial banks are not authorized or required by law to close in the state where the Property is located. Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

8. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Lender, Tenant and Purchaser and their respective successors and assigns.

9. Governing Law. This Agreement shall be deemed to be a contract entered into pursuant to the laws of the State where the Property is located and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State where the Property is located.

10. Miscellaneous. This Agreement may not be modified in any manner or terminated except by an instrument in writing executed by the parties hereto. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision. This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

11. Joint and Several Liability. If there is more than one Tenant under the Lease, the obligations and liabilities of each hereunder shall be joint and several.

12. Definitions. The term “Lender” as used herein shall include the successors and assigns of Lender and any person, party or entity which shall become the owner of the Property by reason of a foreclosure of the Security Instrument or the acceptance of a deed or assignment in lieu of foreclosure or otherwise. The term “Landlord” as used herein shall

mean and include the present landlord under the Lease and such landlord's predecessors and successors in interest under the Lease, but shall not mean or include Lender. The term "Property" as used herein shall mean the Property, the improvements now or hereafter located thereon and the estates therein encumbered by the Security Instrument.

13. Limitations on Purchaser's Liability. In no event shall the Purchaser, nor any heir, legal representative, successor, or assignee of the Purchaser have any personal liability for the obligations of Landlord under the Lease and should the Purchaser succeed to the interests of the Landlord under the Lease, Tenant shall look only to the estate and property of any such Purchaser in the Property for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money in the event of any default by any Purchaser as landlord under the Lease, and no other property or assets of any Purchaser shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to the Lease; provided, however, that the Tenant may exercise any other right or remedy provided thereby or by law in the event of any failure by Landlord to perform any such material obligation. Notwithstanding the foregoing, Tenant may offset against rent due under the Lease the amount of any judgment obtained against any Purchaser.

14. Estoppel Certificate. Tenant, shall, from time to time, within [_____] Business Days after request by Lender, execute, acknowledge and deliver to Lender a statement by Tenant certifying (a) that the Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), (b) the amounts of fixed rent, additional rent, or other sums, if any, which are payable in respect of the Lease and the commencement date and expiration date of the Lease, (c) the dates to which the fixed rent, additional rent, and other sums which are payable in respect to the Lease have been paid, (d) whether or not Tenant is entitled to any then presently accrued credits or offsets against rent, and, if so, the reasons therefor and the amount thereof, (e) that to Tenant's actual knowledge (without investigation) it is not in default in the performance of any of its obligations under the Lease and no event has occurred which, with the giving of notice or the passage of time, or both, would constitute such a default, (f) whether or not, to the actual knowledge (without investigation) of the person certifying on behalf of Tenant, Landlord is in default in the performance of any of its obligations under the Lease, and, if so, specifying the same, (g) whether or not, to the actual knowledge (without investigation) of such person, any event has occurred which with the giving of such notice or passage of time, or both would constitute such a default, and, if so, specifying each such event, and (h) whether or not, to the actual knowledge (without investigation) of such person, Tenant has any then presently accrued claims, defenses or counterclaims against Landlord under the Lease, and, if so, specifying the same, it being intended that any such statement delivered pursuant hereto shall be deemed a certification by Tenant to be relied upon by Lender and by others with whom Lender may be dealing. Tenant also shall include in any such statement such other information concerning the status of the Lease as Lender may reasonably request.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Lender, Tenant and Landlord have duly executed this Agreement as of the date first above written.

TENANT:

[_____]

By: _____
Name:
Title:

LANDLORD:

WAIKELE RESERVE WEST HOLDINGS, LLC, a Delaware limited liability company

By: _____
Name:
Title:

WAIKELE VENTURE HOLDINGS, LLC, a Delaware limited liability company

By: _____
Name:
Title:

LENDER:

BEAR STEARNS COMMERCIAL MORTGAGE, INC., a New York corporation

By: _____

Name:
Title:

EXHIBIT A

LEGAL DESCRIPTION – WAIKELE CENTER

PARCEL FIRST: (TMK: (1) 9-4-007-056)

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

Lot 13213-B, area 9.772 acre, more or less, as shown on Map 1005, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1000 of John Ii Estate, Limited.

TOGETHER WITH the following appurtenant easements:

(1) Crossings Numbers 3, 4, 5, 6 and 7 over Kamehameha Highway, and Crossing Number 28 over Government Main Road, as more particularly described in Exchange Deed between John Ii Estate, Limited, State of Hawaii and Oahu Sugar Company, Limited, dated June 13, 1934, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1243 at Page 270, being certain of the easements mentioned in paragraph (7) of the list of appurtenant rights and easements in Certificate of Title No. 51,587.

(2) Easements over Lot 2-C more particularly described in Exchange Deed in favor of the State of Hawaii, being Document No. 64386, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1708 at Page 468, noted on Original Certificate of Title No. 13,843, and on Transfer Certificate of Title No. 26,248 issued to the State of Hawaii.

Together also with non-exclusive rights of access appurtenant to Lot I3213, to be used in common with all others entitled thereto, over and across Roadway Lot 13813, as shown on Map 837, Roadway Lot 13193, as shown on Map 819, and Roadway Lots 13 and 14, as shown on File Plan No. 2057; provided, however, whenever any or all of said roadway lots are conveyed or dedicated to and accepted by the City and County of Honolulu or other governmental authority for use as public roadways or any part thereof shall be so dedicated and accepted, such rights of access over and across such roadway lots or part thereof so dedicated and accepted shall automatically terminate, reserving, however, unto Amfac Property Investment Corp., its successors and/or assigns, the right to so convey or dedicate such roadway lots to the City and County of Honolulu or other governmental authority for use as public roadways.

Being all of the property described in and covered by Transfer Certificate of Title No. 716,235 and _____.

PARCEL SECOND: (TMK (1) 9-4-007-054)

(Item A)

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

Lot 13211-B, area 12.686 acre, more or less, as shown on Map 1004, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No, 1000 of John Ii Estate, Limited.

TOGETHER WITH the following appurtenant easements:

(1) Crossings Numbers 3, 4, 5, 6 and 7 over Kamehameha Highway, and Crossing Number 28 over Government Main Road, as more particularly described in Exchange Deed between John Ii Estate, Limited, State of Hawaii and Oahu Sugar Company, Limited, dated June 13, 1934, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1243 at Page 270, being certain of the easements mentioned in paragraph (7) in the list of appurtenant rights and easements in Certificate of Title No. 51,587.

(2) Easements over Lot 2-C more particularly described in Exchange Deed in favor of the State of Hawaii, being Document No. 64386, recorded in the Bureau of Conveyances of the State of Hawaii in Book 1708 at Page 468, noted on Original Certificate of Title No. 13,843, and on Transfer Certificate of Title No. 26,428 issued to the State of Hawaii.

Being all of the property described in and covered by Transfer Certificate of Title No. 716,235, and _____.

(Item B)

All of that certain parcel of land situate at Waikele, District of Ewa, City and County of Honolulu, State of Hawaii, being LOT 9, of the “WAIKELE DEVELOPMENT PHASE II”, as shown on File Plan No. 2057, filed in the Bureau of Conveyances of the State of Hawaii, and containing an area of 19.179 acres, more or less.

AS TO PARCEL SECOND (Items A and B)

Together with non-exclusive rights of access to be used in common with all others entitled thereto, over and across Roadway Lot 13813, as shown on Map 837, Roadway Lot 13193, as shown on Map 819, and Roadway Lots 13 and 14, as shown on File Plan 2057, provided, however, whenever any or all of said roadway lots are conveyed or dedicated to and accepted by the City and County of Honolulu or other governmental authority for use as public roadways or any part thereof shall be so dedicated and accepted, such rights of access over and across such roadway lots or part thereof so dedicated and accepted shall automatically terminate, reserving, however, unto Amfac Property Investment Corp., its successors and/or assigns, the right to so convey or dedicate such roadway lots to the City and County of Honolulu or other governmental authority for use as public roadways.

NOTE: Lot 13211, as shown on Map 820, filed with Land Court Application No. 1000 of the John Ii Estate, Limited and Lot 9, as shown on File Plan No. 2057, shall not be sold separately, as set forth by Land Court Order No. 104945, filed December 9, 1991.

(Item C)

All of that certain parcel of land (being portion(s) of the land(s) described in and covered by Royal Patent Number 5732, Land Commission Award Number 8241 to Inone Ii) situate, lying and being at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, being REMAINDER PARCEL 14 of the “Interstate Highway” Federal Aid Project No. I-H-1(22), Kunia Interchange to Waiawa Interchange, being also a portion of Reservoir Lot, Exclusion 1 of Land Court Application 1000, and thus bounded and described:

Beginning at the southeast corner of this piece of land, being also the southwest corner of Lot 13,213, Map 820 of Land Court Application No. 1000, on the north side of Interstate Highway, Federal Aid Project No. I-H1-1(22), the coordinates of said point of beginning referred to “Hawaiian Plane Coordinate Grid System, Zone III” (Central Meridian 158 00’ 00”) being 85,628.69 feet north and 497,650.29 feet east, thence running by azimuths measured clockwise from true South:

1.	68º	52’	50”	10.86	feet along the north side of interstate Highway, Project no. I-H1-1(22)
2.	338º	52’	50”	20.00	feet along same
3.	68º	52’	50”	72.00	feet along same
4.	158º	52’	50”	20.00	feet along same
5.	68	52’	50”	20.00	
6.	172º	25’	37.7”	84.01	feet along Lot 13,211, map 820 of Land Court Application 1000
7.	262º	25’	37.7”	100.00	feet along same
8.	352º	25’	37.7”	59.92	feet along Lot 13,213, map 820 of Land Court Application 1000 to the point of beginning and containing an area of 8,686 square feet or 0.198 acre, more or less.

EXHIBIT C

LIST OF RECORDED LEASES

1. "CompUSA" – A memorandum dated May 1, 1993 of that certain lease between WCC Associates, as lessor, and Tandy Corporation, as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2038337, leasing and demising 24,000 square feet of space within the shopping center.

2. "Officemax" – A memorandum dated April 30, 1993 of that certain lease between WCC Associates, as lessor, and Pay Less Drug Stores Northwest, Inc., as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2182764, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 94-157406, leasing and demising approximately 24,462 square feet of space within the shopping center, said lease was assigned to Officemax, Inc., by unrecorded assignment of lease dated April 3, 1995.

3. "Kmart" – A memorandum dated January 10, 1992 of that certain lease between WCC Associates, as lessor, and Kmart Corporation, as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 1957934, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 92-159884.

4. "McDonald's" – A memorandum dated March 30, 1993 of that certain lease between WCC Associates, as lessor, and McDonald's Restaurants of Hawaii, Inc., as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2026091, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 93-081149, leasing and demising approximately 3,500 square feet of space within the shopping center.

5. "The Sports Authority" – A memorandum dated December 30,1993 of that certain lease between WCC Associates, as lessor, and Sports Authority, Inc., as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2114423, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 94-017963, said lease was assigned to Authority International, Inc. by unrecorded assignment of lease dated December 30,1993.

6. "KFC"– A memorandum dated November 4,1998 of that certain lease between Waikele Center, L.P. (successor in interest to WCC Associates), as lessor, and KFC Management Company, as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2442531, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 98-031101, said lease was assigned to Kazi Foods Corp. of Hawaii, by recorded assignment of lease dated March 4, 1998, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2442532, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 98-031102.

7. “Chili’s” – A memorandum dated December 7,1995 of that certain lease between WCC Associates, as lessor, and Pacific Meritage, LLC (d/b/a Chili’s Grill & Bar), as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2278005, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 95-161759.

8. “Old Navy” – A memorandum dated April 10, 2000 of that certain lease between Waikele Center, L.P., as lessor, and Old Navy, Inc, as lessee, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, Document No. 2624076, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2000-062289.

Exhibit 10.40

MANAGEMENT AGREEMENT
FOR
WAIKIKI BEACH WALK® - RETAIL

THIS MANAGEMENT AGREEMENT (this "**Agreement**") is executed effective as of **November 1, 2007** (the "**Commencement Date**"), by and between **ABW HOLDINGS LLC,** a Delaware limited liability company ("**Owner**"), and **RETAIL RESORT PROPERTIES LLC,** a Hawaii limited liability company ("**Manager**").

BACKGROUND

Owner is the owner of those certain commercial properties of the Waikiki Beach Walk® project described in Exhibit A attached hereto and made a part hereof, together with all entrances, exits, rights of ingress and egress, easements and appurtenances related to those properties (such commercial properties being collectively called the **"Property"**).

Owner desires to obtain the benefits of Manager's experience in the management and operation of commercial properties, including retail and restaurant operations, with responsibilities for managing, operating, maintaining and servicing the Property and for the performance of all obligations of Owner relating thereto as landlord under all present and future tenant leases or subleases and other related contracts, including any and all development agreements, permits, approvals and certificates of occupancy relating to the Property.

Manager is willing to perform such services with regard to the management, operation, maintenance and servicing of the Property and such obligations of Owner relating thereto.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the terms, covenants and conditions contained in this Agreement, Owner and Manager hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions, As used in this Agreement, the following terms and phrases are either defined below or defined where indicated:

"**Affiliate**" when used with reference to a specified Person, (a) any Person that directly or indirectly controls or is controlled by or is under common control with the specified Person; (b) any Person that directly or indirectly is the beneficial owner or possesses voting power of fifty percent (50%) or more (directly or indirectly) of any class of equity securities of the specified Person; and (c) any Person, of which the specified Person is directly or indirectly the beneficial owner or possesses voting power of fifty percent (50%) or more of any class of equity securities.

"**Annual Budget**" means the Annual Operating Budget of Owner, which is the annual operating and capital budget for the Property for the upcoming Fiscal Year adopted by Owner's Super majority Consent, which sets forth the expected operating and capital expenditures and activities (including a set of leasing criteria, a description of any capital activities or expenditures planned for the upcoming Fiscal Year, and Property Expenses) of Owner for the upcoming year and the financial implications of such activities.

"**Annual Financial Statements**" is defined in Section 4.9g.

"**Bank Accounts**" is defined in Section 6.1.

"**Business Day**" shall mean each day banks in the State of Hawaii are open for business, but not Saturdays or Sundays.

"**Commencement Date**" is defined in the introductory paragraph.

"**CPI**" is defined in Section 3.5.

"**FF&E Replacements**" shall mean the replacement of and additions to the furniture, fixtures and equipment for the Property, including common area furnishings, office furniture and equipment, art work, carpeting, computers and electronic data processors used solely in connection with the Property, telephones, televisions, radios and signs.

"**Fiscal Year**" shall mean each calendar year during the Term, and shall include any and all full and partial Fiscal Years.

"**Force Majeure**" means war, act of terrorism, hurricane, tsunami, earthquake, fire, flood, explosion, strike, lockouts, labor troubles materially affecting Manager's ability to obtain sufficient qualified workers or materials, failure of power or other utility service for a period of more than 72 consecutive hours, riots, insurrection, unavoidable accident, civil disturbance, act of public enemy, embargo, war, catastrophic act of God, or any outbreak of disease. A Force Majeure shall be deemed to have commenced as of the first day of the month in which Manager notifies the Owner that such an event has occurred based on the occupancy reports published by Smith Travel Research indicating a reduction in the average monthly occupancy for hotels located in Waikiki, Hawaii, during such month by more than twenty (20) percentage points from the Base Period Occupancy. "**Base Period Occupancy**" means the average monthly occupancy for the same monthly period in the immediately preceding three (3) years. Manager shall notify Owner in due course upon the commencement of a Force Majeure event. A Force Majeure event shall be deemed terminated on the last day of the first month (after such Force Majeure event has occurred) in which the average reported monthly occupancy for Waikiki, Hawaii is reported by Smith Travel Research to be within ten (10) percentage points of the Base Period Occupancy. If Smith Travel Research ceases to publish such statistics, then such reduction in occupancies shall be determined by reference to any successor published report mutually acceptable to the parties. If there is no successor published report, then a new standard shall be substituted by agreement of the parties or arbitration.

"**including**" shall mean "including without limitation," unless otherwise expressly stated.

"Lender" means the holder of the promissory note evidenced by the Loan Documents.

"**Loan Documents**" means those certain loan documents evidencing that certain loan in the amount of $150,000,000.00 secured by that certain Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2007-029365 and in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3561426, and duly noted on Certificate of Title No. 845,798, as amended by that certain First Amendment to Mortgage and Loan Documents dated October 31, 2007, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2007- __ and in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. __, and duly noted on Certificate of Title No. 845,798.

"**Management Fee**" is defined in Section 5.1.

"**Marketing Plan**" is defined in Section 4.4.

"**Monthly Financial Statements**" is defined in Section 4.9f.

"**Net Revenues**" means all Property Revenues excluding, however:

a. federal, state and municipal excise, sales and use taxes collected directly from users or as a part of the sales price of any goods, services or displays, such as gross receipts (general excise) or similar or equivalent taxes;

b. proceeds of claims under any insurance policies, except for proceeds under any business interruption insurance;

c. gains arising from the sale or other disposition of capital assets;

d. any reversal of any contingency or tax reserves;

e. any proceeds from sales of any of the Owner's real or personal property, including any proceeds resulting from condemnation proceedings or the threat of condemnation;

f. any interest earned on any surplus funds held for Owner pursuant to Section 6.4;

g. any payments made by Owner to Manager, whether for Owner's Expenses or Working Capital; and

h. any other reasonable exclusions as are mutually agreed upon in writing by Owner and Manager from time to time.

"Owner's Consent" means a written consent signed by a majority (that is, at least three (3)) of the members of Owner's Board of Directors, other than any Independent Director(s). As of the date of this Agreement, the members of Owner's Board of Directors, who are not Independent Directors, are: W. David P. Carey III, Melvyn M. Wilinsky and Melvin Y. Kaneshige, all of whose addresses are 2375 Kuhio Avenue, Honolulu, Hawaii, 96815, and John W. Chamberlain, whose address is 11455 El Camino Real, Suite 200, San Diego, CA 92130. Owner shall notify Manager upon any change in the member of Owner's Board of Directors.

"Owner's Supermajority Consent" means a written consent signed by all members of Owner's Board of Directors other than the Independent Director(s). As of the date of this Agreement, there is one Independent Director: Ronald I. Simon.

"Owner's Expense" or **"Owner's Expenses"** means any and all expenses paid for by Owner from Owner's own funds on a cash basis and not from the Bank Accounts (unless otherwise expressly allowed herein), which shall not be a Property Expense.

"Person" means any individual, partnership, limited liability partnership or company, corporation, trust, estate, association, governmental agency, regulatory authority or other entity of any kind or nature whatsoever.

"Prime Rate" means the rate of interest reported in The Wall Street Journal as the **"Prime Rate"** in its general guide to money rates and described as the base rate on corporate loans at large U.S. money center commercial banks, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto. In the event this rate is reported as a range of rates, the rate used for purposes of this Agreement shall be the highest rate reported. In the event the interest rate index stated above ceases to be available, Manager may substitute any similar index, whether or not reported in The Wall Street Journal, and Manager's selection shall be conclusive and binding on Owner. In such event, and until Manager selects a substitute index, interest shall accrue at the rate in effect at the time the index was determined to be unavailable.

"Property" is defined above under BACKGROUND.

"Property Documents" shall mean all present and future Tenant Leases and other contracts relating to the Property, including any and all documents for the condominium property regimes referenced in Exhibit A attached hereto and made a part hereof, development agreements, permits, approvals, certificates of occupancy, utility contracts, and warranties, guaranties and service contracts relating to the maintenance and operation of the Property.

"Property Expense" is defined in Section 8.1.

"Property Revenues" means all revenues and income of any kind derived directly or indirectly from the Property, whether on a cash basis or on credit, paid or unpaid, collected or uncollected, determined in accordance with generally accepted accounting principles on an accrual basis (except as to percentage rent payments made by tenants under Tenant Leases, which

shall be determined on a cash basis), including all minimum and percentage rent payments made by tenants under Tenant Leases and all revenues and income from the Property's parking facilities.

"Services" is defined in Section 4.1.

"Tenant Leases" means any and all tenant leases or subleases for a space in the Property.

"Working Capital" is defined in Section 7.1.

ARTICLE II

TERM

2.1 Term. The **"Term"** of this Agreement shall commence on the Commencement Date and shall continue until the first to occur of (a) close of business on **December 31, 2011,** or (b) the date Owner ceases to be the owner of the Property, or (c) the date on which WBW Retail LLC, a Hawaii limited liability company ceases to be the Managing Member of ABW Lewers LLC, a Hawaii limited liability company (**"ABW Lewers"**), unless this Agreement is sooner terminated in accordance with the provisions hereof.

ARTICLE III

AUTHORITY OF MANAGER

3.1 Manager's Authority. Owner engages Manager to be the sole and exclusive third-party manager and operator of the Property, to manage and operate the day-to-day activities of the Property upon the terms, provisions, and conditions of this Agreement. Except as otherwise provided in this Agreement, including the limitations set forth in Section 3.2 below, Manager shall have the authority and duty to manage and oversee the operation, direction, maintenance, management, and supervision of the Property, including (subject to the provisions of Section 3.2, below) the following rights, authority, and power:

a. either by itself or as part of an association or associations, to negotiate, execute (in the name of Owner) and administer, as Owner's agent, such reasonable Property Documents, in the name of and at the expense of Owner, as may be reasonably necessary or advisable in connection with the operation of the Property, Owner hereby agreeing to execute any such Property Documents upon the request of Manager;

b. to determine the rules and regulations with respect to all phases of advertising, promotion and publicity relating to the Property, subject to Owner's Consent of the Marketing Plan as set forth in Section 4.4;

c. to determine labor policies, including wage rates, the hiring and discharging of employees and the installation and enrollment of employees in employee retirement, pension, medical, health, life insurance and similar employee benefit plans, at Manager's discretion (which plans may be joint plans for the benefit of employees of other properties owned and/or

operated by Manager or its Affiliates), and all employer contributions to such plans, along with administrative expenses incurred in connection therewith, shall be Property Expenses;

d. to purchase and contract for goods, supplies and services for the Property from Manager or any of Manager's Affiliates upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than any such party. Manager may negotiate itself, or may pay to an Affiliate a fee for the negotiation of, contracts for the direct purchase from independent suppliers of goods, supplies and/or services so long as the terms and conditions are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than any such party. All costs incurred by Manager or its Affiliates under this Section are to be charged to the operation of the Property. Without limiting the generality of the foregoing and subject always to the other provisions of this Section 3.1.d, Manager may retain an Affiliate as a consultant to perform technical services in connection with the maintenance, repairs or other capital improvements to the Property; and

e. to provide the Services set forth in Article IV.

3.2 Limitations on Manager's Authority.

a. Notwithstanding anything to the contrary contained in this Agreement, including, particularly, the provisions of Section 3.1 above, or anything implied therein or thereby:

(i) Each of the following actions requires an Owner's Consent:

(a) legal proceedings in connection with the Property which do not result from the ordinary course of Property operations (which ordinary course of Property operations includes collections and enforcement of Tenant Leases); and

(b) the general manager of the Property.

(ii) Manager is entitled to receive the fees, costs and reimbursements of expenses as set forth under this Agreement.

b. In addition to the foregoing limitations and restrictions, Owner shall have the right to approve, through an Owner's Supermajority Consent:

(i) (A) the expenditure of any monies that are not specified in the approved Annual Budget and (B) Manager shall not take any action or expend any funds if such action or expenditure is contrary to, or inconsistent with, the approved Annual Budget. The approved Annual Budget applicable to Fiscal Year 2007 is attached hereto as Exhibit B;

(ii) Manager engaging in any business or activity on behalf of Owner other than as described in this Agreement or that is inconsistent with the approved Annual Budget;

(iii) use of cash receipts for the repayment of any indebtedness in excess of regularly scheduled debt service payments or payments required under the Loan Documents, as set forth in Exhibit C attached hereto and made a part hereof;

(iv) decisions or actions (including executing leases or amendments to leases) affecting tenants of spaces in the Property for premises in excess of 5,000 rentable square feet or entering into any leases on terms that are inconsistent with those terms set forth in the approved Annual Budget;

(v) entering into any contract or causing Owner to be obligated for any obligation which (1) in the aggregate, is greater than $750,000 or (2) is entered into with an Affiliate of Manager, and, in either case, which is not identified (as to nature and amount) in the approved Annual Budget;

(vi) the sale, disposition, exchange, condemnation or other governmental taking, financing, refinancing or other transfer of any substantial portion of the Property;

(vii) the entering into of any property management agreement, listing agreement, or development agreement for the Property; and

(viii) causing Owner, while the controlling member of any Association of Apartment Condominium Owners, to vote in favor of any contract by the Association that is not customary or not made in the ordinary course of business with any Affiliate of Manager, the Association, or any member of the Association, or to vote in favor of any change in the established percentages of common cost sharing ratios for any condominium property regime or apartment thereunder.

3.3 Excuse from Operations. Notwithstanding anything in this Agreement to the contrary:

a. Neither party shall be liable to the other in damages nor shall this Agreement be terminated nor a default be deemed to have occurred because of any failure to perform hereunder caused by a Force Majeure;

b. Manager shall be excused from its obligation to operate the Property pursuant to this Agreement (i) to the extent and whenever Manager is prevented from compliance by Force Majeure events; (ii) to the extent of any breach by Owner of any provision of this Agreement, including a breach of Owner's obligations under Sections 7.1 or 7.2 below; and (iii) to the extent and whenever there is herein provided a limitation upon Manager's ability to expend funds in connection with the Property (e.g., the limitation set forth in Section 9.2 below regarding monies available for FF&E Replacements). It is expressly agreed and understood that each and every provision of this Agreement pursuant to which Manager is excused from its obligation to operate the Property shall operate without prejudice to any other rights and remedies of Manager (including the right of Manager to terminate this Agreement) under this Agreement.

3.4 Employees. It is anticipated that all personnel employed by Manager for the management of the Property shall be the employees of Manager and not of the Owner; provided, however, that, as between Owner and Manager, Owner shall nevertheless be responsible for payment of the wages and benefits (including payroll taxes, general excise taxes, if any, and cost of employee benefits) of all such employees, including the general manager of the Property, the general manager's administrative assistant and any and all other employees of Manager who provide Services pursuant to this Agreement.

3.5 Annual Budget. Manager shall, not later than November 1 of each Fiscal Year, prepare an estimate of operating revenues and expenses (including Property Expenses) and projected capital expenses for the Property for the next ensuing Fiscal Year for use by Owner in adopting the Annual Budget; provided that the parties agree that the initial approved Annual Budget, which includes the 2007 Fiscal Year, has already been approved by the parties. Within thirty (30) days after receiving a proposed Annual Budget from the Manager, Owner shall either approve by Owner's Supermajority Consent the proposed Annual Budget or convey its disapproval in writing to Manager, together with detailed reasons therefor. If Owner does not approve by Owner's Supermajority Consent Manager's estimated operating revenues and expenses (including Property Expenses) and projected capital expenses for the Property as the Annual Budget, or if Owner and Manager are unable to reach agreement with respect to individual expense items in the Annual Budgets for a particular Fiscal Year, the Annual Budgets shall be implemented for such Fiscal Year with respect to expense items that are not in dispute, and expense items in dispute shall be kept at the same level of such expense items for the previous Fiscal Year, adjusted, however, by any increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers, All Items, All Urban Areas (1982-84=100) (the "**CPI**"), from the first day of the previous Fiscal Year. Until Owner so approves the Annual Budgets, the Manager will continue to operate the Property in accordance with this Agreement and the last approved Annual Budget but shall not make any expenditures or incur obligations not previously approved in the last approved Annual Budget without the approval of Owner by Owner's Supermajority Consent or until such time as a new Annual Budget has been approved by Owner's Supermajority Consent.

3.6 No Reliance on Projections. Owner hereby represents that in entering into this Agreement Owner has not relied, and agrees that in the future it will not rely, on any budgets, projection of earnings, statements as to the possibility of future success or other similar matter, including the Annual Budgets (collectively, "**Projections**"), which may have been or may hereafter be prepared by Manager. Owner hereby acknowledges and agrees that the Projections are good faith estimates only and that unforeseen circumstances may make adherence to the Projections impracticable, and that any use of the Projections by Owner shall be subject to this understanding.

ARTICLE IV

SERVICES, BOOKS, RECORDS AND REPORTS

4.1 Generally. Notwithstanding anything to the contrary contained in this Agreement, and without limiting the generality of Section 3.1 above, Manager shall provide the services described in this Agreement (collectively, the **"Services"**), including this Article IV, either itself, or by a third party upon the terms and conditions set forth in this Agreement, including in accordance with the approved Annual Budget.

4.2 Marketing and Leasing of Property, Manager shall market and lease any portions of the Property that are vacant, from time to time, as follows:

a. Determine tenant space layouts, tenant mix, tenant amenities, tenant services, rents, duration of Tenant Leases, and other matters relevant to obtaining full occupancy of the Property. Manager shall establish the rental rates for the spaces in the Property after consultation with Owner;

b. Obtain and negotiate lease proposals from prospective tenants and obtain Owner's execution and delivery of Tenant Leases and amendments thereto acceptable to Manager. Owner shall refer all inquiries concerning the rental of spaces in the Property to Manager, and Manager shall review all matters relating to Tenant Leases with Owner, upon Owner's request, from time to time;

c. Engage the services of other real estate brokers to lease vacant spaces in the Property from time to time; and

d. Plan and implement activities related to the marketing and leasing of the Property.

4.3 Tenant Lease Services. Manager shall be responsible for all matters with regard to all Tenant Leases, including responsibility to:

a. Coordinate improvement work with tenants and their respective architects and contractors to minimize disruption to the normal operation of the Property and the inconvenience to invitees, shoppers and other tenants;

b. Coordinate and oversee moving-in and moving-out of tenants and minimize the disruption to the normal operation of the Property and the inconvenience to invitees, shoppers and other tenants; and

c. Maintain and enforce tenants' compliance with their respective Tenant Leases, including payment of rent and other charges, insurance requirements, store signage, submission of reports and adherence to rules and regulations relating to the Property.

4.4 Marketing of Property and Tenants. Manager, as part of the materials delivered to Owner in connection with Owner's adoption of the Annual Budget, shall develop a marketing

plan to increase awareness of and to stimulate shopping traffic to the Property and its tenants (the "**Marketing Plan**"). The Marketing Plan shall include Manager's proposals for advertising, promotions and public relations, including creative materials; advertising media placements and schedules for visitor trade publications, newspapers, television, radio and other advertising venues; and special promotional and cultural events and activities.

4.5 Construction Management. If agreed to by Owner and Manager, Manager shall (a) oversee any build-out work to be done by Owner pursuant to a Tenant Lease or monitor tenant improvement work for general compliance with plans and specifications approved by Owner's Consent, and (b) act as Owner's representative with respect to the contractor for such work. If Manager hires third parties to perform the foregoing services, the fees, costs and expenses charged by such third parties shall be an Owner's Expense; however, any such third party charges must be pre-approved by Owner's Supermajority Consent unless included in the approved Annual Budget.

4.6 Management and Maintenance of Property. Manager shall provide a general manager (who need not be full-time) and maintenance personnel and shall provide management and maintenance services for the Property and all of its appurtenances on an as-needed basis as reasonably determined by Manager.

4.7 Parking Administration. Manager shall oversee and shall provide adequate personnel to operate the Property's parking facilities.

4.8 Information Services. Manager shall provide necessary remote and/or on-site computer facilities to support management and accounting functions for the Property. Manager shall provide appropriate staffing to coordinate and plan for telecommunications equipment and service needs for the Property, and to interface with vendors of such equipment and services for both acquisition and maintenance purposes. Manager shall have the right to make modifications or replacements to such computer facilities as are reasonably necessary for the efficient operation and management of the Property.

4.9 Financial Services. Manager shall provide its, or shall arrange to provide a, complete system of financial services, including general accounting, credit and collections, accounts receivable, accounts payable and payroll, utilizing Manager's or a third party's financial staff and computer equipment, including the following:

a. Billing and Collection of Rents. Inform and bill tenants for rent and other Tenant Lease charges in accordance with the requirements of their respective Tenant Leases and collect and deposit Tenants' rent (including payments for common area charges) and other cash receipts in the Bank Accounts;

b. Collection of Delinquent Rents; Legal Enforcement. Establish procedures for and follow up on delinquent accounts or defaulting tenants, and if such efforts are not successful, institute legal action and engage legal counsel to enforce payment of rent or for summary possession. Manager shall have the right, power and authority, on behalf of Owner, to compromise and settle disputes with tenants involving setoffs or damage claims;

c. Process Invoices. Process vendor and contractor invoices, statements and billings for payment;

d. Books and Records. Manager shall keep or cause to be kept for Owner's account complete and adequate books of account and other records reflecting the operations of the Property, on an accrual basis (except as to percentage rent payments made by tenants under Tenant Leases, which shall be determined on a cash basis), in accordance with generally accepted accounting principles. Manager shall have the right to make such modifications in its accounts as are consistent with Manager's standard practices in accounting for the operations of properties managed and/or owned by Manager. The books and records of the Property shall be maintained in Manager's central offices or such other place as Manager may designate from time to time. Owner shall have the right, at any time following 24 hours' written notice, and at its sole cost and expense and as an Owner's Expense, to inspect, copy, and audit the books and records of the Manager, which shall make all such books and records available to the Owner and its auditor at Manager's main office and shall otherwise cooperate with and assist the Owner with respect to any such inspection, copying, or audit;

e. Audits. Manager shall have the right to implement such audit and other accounting controls as it reasonably deems necessary or desirable. Manager will give its full assistance to Owner's certified public accountants with respect to such annual audit. Upon any termination of this Agreement, all books and records relating to the Property shall be retained by Owner, and Owner shall maintain and make available such books and records to Manager at all reasonable times for inspection, audit, examination and transcription for a period of three (3) years after the date of termination of this Agreement;

f. Monthly Statements. Within twenty-five (25) days after the end of each calendar month during the Term, Manager shall submit to Owner a financial statement showing the results of operations of the Property for such month, together with the results of operation for the period from the beginning of the Fiscal Year to the end of such month, and a comparison with the approved Annual Budget for the current Fiscal Year (the "**Monthly Financial Statement**"). The Monthly Financial Statement shall include a current rent roll, tenants' cash receipts and percentage rents, unpaid and prepaid rents and other charges, an aging report, common area maintenance charges and a narrative report explaining any variances from the approved Annual Budget;

g. Annual Statements. Within sixty (60) days after the end of each Fiscal Year, Manager shall submit to Owner a statement of operations for the Property (including a statement of financial position and reconciliations of common area maintenance charges in accordance with the requirements of Tenant Leases, based on operating expense data and financial statements), providing comparison with the approved Annual Budget for the current Fiscal Year (the "**Annual Financial Statement**"); and

h. Additional Accounting Services. Manager shall, at Owner's Expense, provide such other accounting and reporting services as may be appropriate for the efficient operation of the Property and to meet Owner's accounting and reporting requirements set forth in the Loan Documents, which requirements are set forth in Exhibit C; however, such Owner's Expense must

be pre-approved by Owner's Supermajority Consent unless included in the approved Annual Budget.

4.10 Personnel Services. Manager shall supervise, hire, discharge, monitor and manage an adequate staff, and shall administer and determine all salaries, employee benefits, training and other programs for such staff.

4.11 Security Services. Manager shall provide or shall arrange for security services for the Property, including periodic patrols, inspections, investigation of claims and emergency response services in case of major incident (such as fire or natural disaster).

4.12 Risk Management Services, Manager shall provide, at Owner's Expense, risk management services, including the provision of insurance as required under Article X below and administration and control of insurance claims and other losses to the Property; however, such Owner's Expense must be pre-approved by Owner's Supermajority Consent unless included in the approved Annual Budget.

4.13 Service Expenses. The Services provided by Manager under this Agreement, together with State of Hawaii general excise taxes, if any, thereon, shall be paid for by Owner as Property Expenses and shall be included in the services covered by the Management Fee, except as otherwise expressly set forth elsewhere in this Agreement and as follows:

a. The commissions to Manager and to other real estate brokers and consultants to lease vacant spaces in the Property shall be in addition to the Management Fees and paid in accordance with Section 4.14 and shall be an Owner's Expense.

b. Owner shall compensate Manager for its construction management services described in Sections 4.3a and 4.5 in an amount equal to five percent (5%) of the respective construction contract, which compensation shall be in addition to the Management Fees and shall be an Owner's Expense. If a third party provides such construction management services, the fees, costs and expenses charged by such third party shall be paid for by Owner as an Owner's Expense; however, such Owner's Expense must be pre-approved by Owner's Supermajority Consent unless included in the approved Annual Budget. If both Manager and a third party provide such services, the total aggregate compensation will not exceed the maximum which may be charged by Manager pursuant to this paragraph.

c. If Manager implements the Marketing Plan, Manager's compensation for such implementation shall be included in the Management Fee. If a third party implements the Marketing Plan, the fees, costs and expenses charged by such third party shall be paid for by the tenants as part of a Promotion Fund under their Tenant Leases, or if the tenants do not pay for the same, Owner shall pay for the same as an Owner's Expense; however, any such third party charges which are not paid through a Tenant Promotion Fund must be pre-approved by Owner's Supermajority Consent unless included in the approved Annual Budget.

d. All wages and benefits for the general manager and the general manager's administrative assistant, to the extent such employees provide Services in accordance with this

Agreement, shall be a Property Expense. If Manager hires third parties for additional maintenance services (such as for the holiday season) under Section 4.6, the fees, costs and expenses charged by such third parties shall be paid for by the tenants under their Tenant Leases, or if the tenants do not pay for the same, Owner shall pay for the same as an Owner's Expense; however, any such third party charges which are not paid by the tenants under their Tenant Leases must be pre-approved by Owner's Supermajority Consent unless included in the approved Annual Budget.

e. The cost and expenses incurred for the operation of the parking facilities under Section 4.7 shall be an Owner's Expense (although Manager's oversight of the parking operations is a service covered by the Management Fee).

f. The compensation to Manager for the information services provided by Manager under Section 4.8 shall be in addition to the Management Fees and shall be an Owner's Expense to the extent pre-approved by Owner's Supermajority Consent or included in the approved Annual Budget. If Manager hires third parties for information services under Section 4.8, the fees, costs and expenses charged by such third parties shall be an Owner's Expense; however, any such third party charges must be pre-approved by Owner's Supermajority Consent unless included in the approved Annual Budget.

g. If Manager hires third parties for certain unanticipated or additional services, including any additional supervisory services under Section 4.11, services from an Affiliate of Manager and services to enforce tenants' compliance with their respective Tenant Leases, any fees, costs and expenses charged by such third parties shall be an Owner's Expense if pre-approved by Owner's Supermajority Consent or included in the approved Annual Budget.

h. The cost of any audit or any accounting services under Section 4.9 that are outside of the normal course of business shall be an Owner's Expense if pre-approved by Owner's Supermajority Consent or included in the approved Annual Budget.

i. The compensation to Manager for the risk management services provided by Manager under Section 4.12 shall be in addition to the Management Fees and shall be an Owner's Expense to the extent pre-approved by Owner's Supermajority Consent or included in the approved Annual Budget. All expenses for insurance premiums and deductibles, real property taxes and any contests related thereto, and Waikiki Business Improvement District assessments and any contests related thereto shall, to the extent not reimbursed by the tenants under Tenant Leases, be Owner's Expenses if pre-approved by Owner's Supermajority Consent or included in the approved Annual Budget.

j. In addition to the Management Fees and the fees set forth above, and as an Owner's Expense, Manager shall be compensated by Owner for any time expended by Manager in connection with (1) any casualty, injury, lawsuit, claim, emergency service, hearing, or any other proceeding relating to the Property; provided, however, that Manager shall first obtain Owner's Supermajority Consent to expend such time (except as set forth in Section 3.2a(i)(a)), and if Owner fails or refuses to timely give Owner's Supermajority Consent, Owner shall indemnify, defend and hold Manager harmless in connection therewith, (2) any special audit,

accounting, reporting, or consulting services, and (3) any other special services relating to the Property which Owner requests Manager to perform, and Manager shall be reimbursed for its out of pocket expenses incurred in connection with any sale, due diligence, or exchange process relating to the Property.

4.14 Real Estate Commissions. Manager hereby represents to Owner that it or its sole member, Outrigger Hotels Hawaii, is a real estate broker licensed in the State of Hawaii, and Manager or its sole member shall receive a commission from Owner as an Owner's Expense for any new leases and renewals or extensions of Tenant Leases presented by Manager and accepted by Owner during the Term, regardless of whether the commencement date of the Tenant Leases is during the Term. For each new Tenant Lease, the commission shall be an amount equal to two (2) months of net minimum rent payable under the applicable Tenant Lease. For a renewal or extension of each existing Tenant Lease, the commission shall be an amount equal to one (1) month of net minimum rent payable under the applicable Tenant Lease. Such commissions shall be due and payable as follows: (a) for new leases, one-half upon full execution and delivery of the applicable new Tenant Lease and one-half upon the opening for business by such Tenant; and (b) for a renewal or an extension of an existing Tenant Lease, upon confirmation of the applicable renewal or extension of the existing Tenant Lease. Any commissions payable to real estate brokers and consultants other than Manager or its sole member in connection with any Tenant Lease shall be negotiated by Manager or its sole member with such brokers and consultants and shall be included in the commission otherwise payable to Manager or its sole member. Any commissions that exceed the commission set forth above in this Section shall be subject to Owner's Supermajority Consent.

4.15 Net After Taxes. All fees, payments, and reimbursements under this Agreement shall be net after general excise tax, sales taxes and other charges or assessments payable by Manager on any specific payment, but not including any other income tax.

4.16 Payment for Services. On or before the fifth (5^{th}) Business Day of each calendar month during the Term, Manager shall be paid all fees and expenses for or in connection with the Services (whether provided by Manager or through a third party provider), together with general excise tax imposed thereon, if any, for the preceding calendar month, as then estimated by Manager. If such estimated amounts paid to Manager prove to be different from the amounts shown on the Monthly Financial Statement subsequently delivered by Manager to Owner, the installments for that month shall be recomputed on the basis of such statement and appropriate adjustments shall be made in the estimated amount due for the next succeeding month(s) (without consideration of interest on any overpayment or underpayment). Within thirty (30) days after Manager has furnished Owner with the Annual Financial Statement, Service fees and expenses for such Fiscal Year shall be adjusted and paid or credited as appropriate (without consideration of interest on any overpayment or underpayment).

4.17 Annual Accounting. For all of the Services described in Article IV, Manager agrees to provide at Manager's expense an annual accounting of the allocation made for each Service. Such annual accounting will include a description and amount of the charges incurred for each Service category.

ARTICLE V

MANAGER'S FEES

5.1 Management Fee. For the period from the Commencement Date, and for each Fiscal Year or portion of a Fiscal Year thereafter during the remainder of the Term, Manager shall be paid, for its management services hereunder, a "**Management Fee**" equal to three percent (3%) of Net Revenues, payable in monthly installments. The Management Fee shall be net to Manager (other than any income tax obligation associated therewith) and shall not include the Property Expenses incurred in connection with the Services nor any taxes assessed in connection with the Property Expenses.

5.2 Payments to Manager. On the fifth (5^{th}) Business Day of each calendar month following the Commencement Date, Manager shall be paid an amount equal to the Management Fee payable for that month (with the Management Fee for the first partial calendar month of the Term being prorated), as shown on the Annual Budget, along with any amounts due Manager under Article IV of this Agreement. Manager may pay the Management Fee from the Bank Accounts, prior to payment of any Property Expenses or Working Capital reserves. If the estimated amounts paid to Manager shall prove to be different from the amounts shown on the Monthly Financial Statement subsequently delivered by Manager to Owner, the installments for that month shall be recomputed on the basis of the amounts so shown and appropriate adjustments shall be made (without consideration of interest on any overpayment or underpayment) in the amount of the installment otherwise due for the next succeeding month (or months, if necessary). Within sixty (60) days after Manager has furnished to Owner the Annual Financial Statement for the entire Fiscal Year, the Management Fee due for that Fiscal Year shall be adjusted and paid or credited as appropriate (without consideration of interest on any overpayment or underpayment).

ARTICLE VI

BANK ACCOUNTS AND CASH DISBURSEMENTS

6.1 Possession of Funds. Subject to this Agreement, Manager, as agent of Owner and for the sole benefit of Owner, shall have possession and control of the Property Revenues and all other funds utilized in the Property's operation. All funds received by Manager in the operation of the Property, including Working Capital provided by Owner, shall be deposited in one or more accounts ("**Bank Accounts**") with Bank of Hawaii or such other federally insured bank depository as Manager and Owner may from time to time mutually select. Manager may not commingle such funds with other funds of Manager. Notwithstanding the foregoing, or anything to the contrary in this Agreement, for so long as any Cash Management Agreement and/or Restricted Account Agreement are in existence pursuant to the Loan Documents, Manager shall comply with the requirements thereof (which requirements are set forth in Exhibit C) and shall cause all Property Revenues to be deposited directly into the bank account specified in Exhibit C; whereupon the reference to Property Revenues in this Agreement (and to the funds to be deposited by Manager into the Bank Accounts) shall be deemed to refer to those funds which are

disbursed to Borrower pursuant to such Cash Management Agreement and the provisions of this Agreement shall be so interpreted.

6.2 Payment of Expenses and Fees from Bank Accounts; No Obligation of Manager to Provide Own Funds. Payments of all invoices and payroll authorized hereunder, all Property Expenses and Management Fees shall be made only from the Bank Accounts and Manager shall have no obligation to provide its own funds. In the event the funds in the Bank Accounts are insufficient to cover all Property Expenses and Management Fees, the same shall be paid when due and payable by Owner from Owner's own funds.

6.3 Risk of Loss, Owner shall bear all losses resulting from any failure or insolvency of the bank, trust company or other financial institution in which the Bank Accounts or the investments authorized by Section 6.4 are maintained.

6.4 Distribution of Funds to Owner. After payment of the Management Fee and Property Expenses, and after adequate Working Capital and other reserves have been provided for in accordance with the current Annual Budget, Manager shall disburse to Owner on or before the twentieth (20th) day of each calendar month all remaining funds. Working Capital and other reserve funds shall be invested in bank certificates of deposit, repurchase agreements, treasury bills or other similar securities, or money market or other day-to-day depository accounts, in accordance with Manager's established procedures.

ARTICLE VII

WORKING CAPITAL

7.1 Owner to Provide Working Capital. Owner shall provide Manager at all times with cash sufficient in Manager's opinion to finance and support the uninterrupted and efficient operation of the Property from time to time and the performance by Manager of its obligations under this Agreement ("**Working Capital**"), which amount shall approximate two (2) months' payroll and one (1) month's accounts payable, calculated from time to time. Upon the execution of this Agreement and continuing for each calendar month during the Term in accordance with Section 4.16, Owner shall deliver to Manager the initial Working Capital amount of **$191,000.00**. Manager hereby acknowledges receipt of the initial Working Capital amount as of the execution of this Agreement. Under no circumstances shall Manager be obligated to provide its own funds for the operation of the Property, including the payment of Property Expenses.

7.2 Additional Working Capital. If the operation of the Property requires the infusion of Working Capital in addition to that which is available in the Bank Accounts, Owner shall procure and deliver to Manager, within five (5) Business Days after receiving notice from Manager of the need therefor, such additional funds as Manager and Owner agree in good faith are required to finance and support the uninterrupted and efficient operation of the Property.

7.3 Termination of Agreement. Manager shall have the right, if Owner fails to timely make any cash infusions as described in this Agreement, including any amount of additional Working Capital, to terminate this Agreement upon thirty (30) days' notice to Owner, and unless

the requested cash infusions are made within such thirty (30) day period, this Agreement shall automatically terminate. The aforementioned rights of reimbursement and termination shall be in addition to any other rights which Manager may have under this Agreement, or otherwise.

ARTICLE VIII

EXPENSES

8.1 Property Expenses. All costs and expenses incurred by Manager in the performance of Manager's obligations under this Agreement shall be for and on behalf of Owner and for its account, and each of the same shall be a **"Property Expense."** Subject to the aforesaid, Manager shall be reimbursed from Property Revenues for all such costs and expenses incurred by Manager on behalf of Owner in performing this Agreement, and if and to the extent Property Revenues are insufficient to cover Property Expenses, Owner shall provide Working Capital to Manager to pay for the same in accordance with Sections 7.1 and 7.2.

8.2 Owner's Debts and Liabilities. All debts and liabilities incurred with or owed to third parties by Manager on behalf of either the Owner or the Property, in the normal course of business and within the authority granted to Manager herein, are and shall remain the sole obligations of Owner.

8.3 Coordination with Loan Documents. Manager shall pay all amounts owing by Owner under the Loan Documents as set forth in Exhibit C attached hereto, in a timely manner out of Property Revenues or, if such Property Revenues are insufficient to pay all such amounts, out of funds provided by Owner. To the extent the requirements of the Loan Documents set forth in Exhibit C provide for reserve accounts from which certain expenses relating to the Property can be funded (or from which Owner can obtain reimbursement), Manager shall coordinate its activities to take advantage of such funds on Owner's behalf.

ARTICLE IX

MAINTENANCE REPAIRS AND CAPITAL IMPROVEMENTS

9.1 Maintenance and Repair Expenditures. Subject to the Annual Budget in effect from time to time, and to the extent sufficient Working Capital is made available, or to the extent of reserves available to Manager from Owner, Manager will make such expenditures for repairs and maintenance (excluding structural or other extraordinary repairs not required to be made on an emergency basis) as it reasonably deems necessary to keep the Property in good operating condition.

9.2 Annual Capital Expenditures Plan. Manager shall make such substitutions and replacements or renewals to FF&E Replacements as it deems necessary or desirable, up to the amount set forth in the Annual Budget. No expenditure will be made in excess of such amount or for any other capital improvement without Owner's Supermajority Consent. The FF&E Replacements component of the Annual Budget shall be paid for by Owner as Owner's Expenses.

9.3 Owner's Right/Obligation to Alter/Improve Property. Owner may at any time, at its expense, make such alterations or improvements in or to the Property as Owner determines appropriate. All alterations or improvements shall be made in a manner to cause the least practicable interference with the operation of the Property. In the event any alterations, additions or improvements, structural or nonstructural, are required to bring the Property into compliance with any applicable requirements under all laws, ordinances, orders, rules and regulations of authorities with jurisdiction over the Property, Manager shall, as a Property Expense and to the extent the cost of the same is included in the Annual Budget, make such alterations, additions and improvements from the Bank Accounts, or if the cost of the same is not included in the Annual Budget, then Owner shall make such alterations, additions and improvements as an Owner's Expense.

9.4 Capital Expenditures. Owner and Manager shall agree upon a person or entity, which person or entity may be Manager, to supervise and direct, in the manner and to the extent agreed upon by Owner and Manager, the Property's programs of capital expenditures authorized from time to time by the provisions of this Article IX. If such person or entity is agreed to be Manager, Manager shall be entitled to receive reasonable compensation for these services as agreed upon by Owner and Manager in addition to any other amounts payable to Manager under this Agreement.

9.5 Emergency Repairs. Manager shall have the right, on behalf of and at Owner's Expense, to make expenditures for extraordinary repairs required to be made on an emergency basis as Manager reasonably deems necessary to prevent damage to the Property or injury to any person or for the purpose of abating any activity or condition, or removing any thing, that (i) violates the law or the condominium documents to which the Property is subject or any of the Loan Documents, or (ii) is unauthorized, prohibited, harmful, offensive or potentially dangerous to others or their property, or (iii) threatens the property rights or welfare of others. If reasonably practicable, Manager shall, prior to entering into any contracts or obligations on Owner's behalf in connection with such extraordinary repairs which, in the aggregate, are greater than $750,000, use reasonable efforts under the circumstances to obtain Owner's Supermajority Consent. If Owner provides Owner's Supermajority Consent or does not respond within 5 Business Days after Manager's request to Owner for Owner's Supermajority Consent, Manager may nevertheless proceed with such extraordinary repairs and enter into such contracts or obligations on Owner's behalf and at Owner's Expense and may pay for the same with funds in the Bank Accounts. If Owner objects to such expense, Manager shall not proceed with same, and Owner shall indemnify, defend and hold harmless Manager for, from and against any liability, damage, cost, expense, loss, claim or judgment incurred by Manager arising out of any claim based upon Owner's failure to proceed with such repairs, including attorneys' fees and costs incurred by Manager in settlement or defense of such claims.

ARTICLE X

INSURANCE

10.1 Policies to be Carried. In the name of Owner and Manager, and at Owner's Expense, Manager shall, from and after the Commencement Date maintain insurance relative to

the Property meeting the requirements of the Loan Documents, which requirements are set forth on Exhibit C-l (or such greater insurance coverages and/or limits as Owner and Manager may agree upon). Manager shall comply all such requirements of the Loan Documents relating thereto, which are set forth on Exhibit C-l, including the requirements relative to delivery of policies and/or certificates to the Lender.

10.2 No Right of Subrogation; Adequacy of Coverage. All policies of insurance shall provide that the insurance company shall have no right of subrogation against Manager or Owner, or their respective agents or employees, except in the event of willful misconduct or gross negligence on the part of Manager or Owner, as the case may be, and their respective agents or employees. Owner assumes all risks in connection with the adequacy of any insurance program and waives all claims against Manager for all liabilities, costs or expenses arising out of any partially or totally uninsured claim, of any nature whatsoever, except where Manager has failed to place and maintain insurance in accordance with the provisions hereof.

10.3 Owner Obtaining Insurance. Owner may, upon thirty (30) days' prior written notice to Manager, obtain the insurance required by Section 10.1 and the Loan Documents (except workers' compensation, employer's liability or similar insurance, which shall be obtained by Manager), and in such event, Manager shall be named as an additional insured on all such insurance obtained by Owner.

ARTICLE XI

TAXES

11.1 Payment of Taxes. Manager shall pay when and as the same are due and payable, in the name and on behalf of Owner, in such installments as are permitted by law, all real estate taxes, general excise taxes (if any), gross income taxes, withholding and payroll taxes, personal property taxes and betterment assessments levied or assessed on or against the Property or any portion thereof or Property Revenues therefrom for any fiscal period of the taxing authority, all or any part of which period is included in the Term. The portion of any such amount so paid shall be included as a Property Expense for the Fiscal Year in which such amount is determined.

11.2 Assistance of Manager in Contesting Taxes. Manager agrees to assist Owner in any contest pertaining to the validity or the amount of any tax or assessment relating to the Property; provided, however that all costs and expenses of such contest incurred by Manager shall be a Property Expense, and if the Property Revenues are insufficient to pay for such costs and expenses, then Owner shall pay for the same out of Owner's own funds.

ARTICLE XII

DAMAGE, DESTRUCTION OR CONDEMNATION

12.1 Damages or Destruction. Subject to the rights of the Lender under the Loan Documents as set forth in Exhibit C, if the Property or any portion thereof shall be damaged or destroyed at any time during the Term by fire, casualty or any other cause, Manager shall, on

behalf of and at Owner's sole cost and expense as an Owner's Expense, and with due diligence, repair or replace the Property, so that the Property shall be restored to substantially the same condition as existed prior to such damage or destruction; provided, however, that in the event of any substantial damage or destruction to the Property the cost of repair of which would exceed, in Owner's reasonable judgment, twenty-five percent (25%) of the then existing value of the Property, Owner, within thirty (30) days after the date of occurrence of such damage or destruction may either (i) commence repair of same, in which event this Agreement shall continue in full force and effect; or (ii) deliver written notice to Manager that Owner does not intend to repair such damage or destruction, in which event this Agreement shall be terminated, and upon such termination Manager shall be paid the Termination Fee set forth in Section 16.2 below. All such repair or replacement shall be subject to Owner's reasonable approval by Owner's Consent, including the plans, specifications, drawings, architect and contractor therefor, and shall be made in a manner to cause the least practicable interference with the operation of the Property.

12.2 Condemnation. Subject to the rights of Lender under the Loan Documents as set forth in Exhibit C, if the whole of the Property shall be taken in any condemnation, expropriation or like proceedings, or if such a portion thereof shall be taken such that, in Owner's opinion, the remaining portion is not of substantially similar quality, in all respects, to Shops at Wailea, located in Wailea, Maui, Hawaii, at 3750 Wailea Alanui, Wailea, Maui, Hawaii 96753, then this Agreement shall terminate as of the date of such taking, and upon such termination Manager shall be paid the Termination Fee set forth in Section 16.2 below.

ARTICLE XIII

ASSIGNMENT

13.1 No Assignment. Neither Owner nor Manager shall assign this Agreement, or any interest therein, without the prior written consent of the other (in the case of Owner, an Owner's Supermajority Consent), which consent may be withheld for any reason or no reason.

ARTICLE XIV

TERMINATION BY OWNER

14.1 Termination By Owner. Subject to Section 3.3 above, the occurrence of any of the following events shall constitute a default and be good cause for Owner to terminate this Agreement without prejudice to any other rights or remedies Owner may have hereunder, or otherwise at law or in equity:

a. Manager breaches or fails to comply with any material term, covenant or condition of this Agreement or any other contract or agreement with a third party arising under, in connection with or relating to the Property or this Agreement, and Manager fails to cure such default within thirty (30) days after receipt of written notice from Owner specifying the exact nature of such default; provided, however, that if such default is not reasonably susceptible of being cured within such thirty (30) day period, Owner shall not be entitled to terminate this

Agreement if Manager commences curing such default within the thirty (30) day period and thereafter diligently pursues a cure thereof to completion;

b. Manager makes any assignment of its property for the benefit of creditors;

c. Manager's interest under this Agreement is taken on execution of a judgment; or

d. Manager files a petition for adjudication as a bankrupt, for reorganization or for an arrangement under any bankruptcy or insolvency law, or an involuntary petition under any such law is filed against Manager and not dismissed within ninety (90) days thereafter.

14.2 Effective Date. If Owner elects to terminate this Agreement pursuant to Section 14.1 above, such termination shall be effective after the expiration of any cure periods available to Manager upon Manager's receipt of written notice from Owner of Owner's intention to terminate this Agreement.

ARTICLE XV

TERMINATION BY MANAGER

15.1 Termination by Manager. The occurrence of any of the following events shall constitute a default and be good cause for Manager to terminate this Agreement without prejudice to any other rights or remedies Manager may have hereunder, or otherwise at law or in equity:

a. Owner breaches or fails to comply with any material term, covenant or condition of this Agreement or another contract or agreement with a third party arising under, in connection with or relating to the Property or this Agreement and Owner fails to cure such default within thirty (30) days after receipt of notice from Manager specifying the exact nature of such default; provided, however, that if such default is not reasonably susceptible of being cured within such thirty (30) day period, Manager shall not be entitled to terminate this Agreement if Owner commences curing such default within the thirty (30) day period, and thereafter diligently pursues a cure thereof to completion;

b. Owner makes any assignment of its property for the benefit of creditors;

c. Owner's interest under this Agreement is taken on execution of a judgment, including a judgment of foreclosure in respect of indebtedness of Owner; or

d. Owner files a petition for adjudication as a bankrupt, for reorganization or for an arrangement under any bankruptcy or insolvency law, or an involuntary petition under any such law is filed against Owner and not dismissed within ninety (90) days thereafter.

15.2 Effective Date. If Manager elects to terminate this Agreement pursuant to Section 15.1 above, such termination shall be effective after the expiration of any cure periods

available to Owner upon Owner's receipt of written notice from Manager of Manager's intention to terminate this Agreement.

15.3 Rights Cumulative. Nothing in this Article XV shall affect the rights granted Manager to terminate this Agreement by certain specific provisions hereof (e.g. the provisions of Article VII.

ARTICLE XVI

MANAGER'S AND OWNER'S RIGHTS UPON TERMINATION

16.1 Payment of Fees to Manager; Reimbursement of Other Amounts. Upon termination of this Agreement for any reason, Manager shall be entitled to: (a) reimbursement of all outstanding expenses incurred by Manager pursuant to this Agreement with respect to the Property; (b) payment of the Management Fee and any other fees payable under this Agreement (or under any other arrangement entered into between the parties and/or the Affiliates of either in respect of the Property), to which Manager and/or its Affiliates would be entitled to through the date of termination; and (c) payment of any other sums due Manager hereunder.

16.2 Termination Fee. In addition to the payments due to Manager under this Agreement, including Section 16.1, upon termination of this Agreement as a result of (a) Owner's election not to repair damage or destruction pursuant to Section 12.1, or (b) a condemnation pursuant to Section 12.2, or (c) Manager's termination of this Agreement (for Owner's failure to timely make any cash infusions as described in this Agreement) pursuant to Section 7.3, Manager shall be paid a fee (the **"Termination Fee"),** as liquidated damages, equal to the Management Fees for the two calendar months immediately preceding the termination date.

16.3 Indemnification of Manager Upon Owner's Termination of Agreement. As a condition of termination of this Agreement by Owner, Owner (or any successor owner of the Property) agrees to indemnify, defend and hold Manager harmless against any and all losses, costs, damages, liabilities, claims and expenses, including reasonable attorneys' fees, arising or resulting from the failure of Owner or such successor owner to observe and perform any and all Property Documents.

16.4 Owner's Rights Upon Termination. Upon the termination of this Agreement and the payment to Manager of all amounts due Manager upon such termination:

a. all remaining amounts in the Bank Accounts to which Owner is entitled shall be transferred to Owner;

b. Manager shall render a final accounting to Owner within forty-five (45) days after the end of the month in which this Agreement terminates;

c. Manager shall cooperate in the transfer of all transferable permits and licenses to the Owner to insure the continued operation of the Property;

d. Manager shall deliver to Owner all records, files and documents relating to the Property, including all Tenant Leases and tenant files, contracts, receipts or deposits, unpaid bills, and other papers or documents then in existence which pertain to the Property; and

e. Manager shall vacate and surrender the on-site management office, if occupied by Manager, in good order, condition and repair, reasonable wear and tear excepted and shall remove all personal property and signs that it may have placed on the Property indicating that it is the manager of the Property, and repair any damage resulting therefrom.

ARTICLE XVII

INDEMNIFICATION

17.1 Indemnification by Owner. Manager shall not (a) be liable to Owner for any event or occurrence arising prior to the Commencement Date, or (b) in the performance of this Agreement, be liable to Owner or to any other person for any act or omission, whether negligent, tortious or otherwise, of any agent (other than Manager) or employee of Owner. Owner shall, to the maximum extent provided by law, indemnify, defend and hold harmless Manager, to the extent of the Property, for, from and against any liability, damage, cost, expense, loss, claim or judgment incurred by Manager arising out of any claim based upon acts performed or omitted to be performed by Manager in connection with the Property, including attorneys' fees and costs incurred by Manager in settlement or defense of such claims. Notwithstanding the foregoing, Manager shall not be so indemnified, defended or held harmless for claims based upon its acts or omissions which constitute fraud, negligence, or willful misconduct in connection with the Property.

17.2 Limitation on Manager's Liability. In no event shall Owner make any claim against Manager on account of any alleged errors of judgment made in good faith in connection with the performance by Manager and/or its Affiliates of the obligations of Manager expressed herein, nor shall Owner object to any expenditure made by Manager in good faith in connection with the performance of Manager's obligations hereunder, unless such expenditure is specifically prohibited by this Agreement.

ARTICLE XVIII

TRADE NAMES AND TRADEMARKS

18.1 "Waikiki Beach Walk"®. During the Term, the Property will be known by and operated under the name "Waikiki Beach Walk"®, which is a trade name or trademark owned by Outrigger Hotels Hawaii ("OHH"), an Affiliate of Manager, and licensed by OHH to Owner pursuant to that certain Trademark License Agreement dated February 15, 2007, as partially assigned to Owner by Assignment dated October 31, 2007. OHH, as licensor, and Owner, as licensee, through and subject to such Agreement, shall retain all rights to use such trade name or trademark and the other Manager Trade Names and Trademarks (defined below). Owner shall sublicense the right to use the "Waikiki Beach Walk" mark pursuant to a Sublicense Agreement approved by OHH executed concurrently with this Agreement.

18.2 Manager Trade Names/Trademarks. In its operation of the Property, Manager may utilize trade names or trademarks which, in whole or in part, may be the same as or similar to the trade names or trademarks now or hereafter used by OHH or it in connection with the operation of other commercial properties including the words "Outrigger®" and "OHANA®" and other trademarks and services marks owned by OHH, including its logos (the **"OHH Trade Names and Trademarks").** The exclusive rights to the use of the OHH Trade Names and Trademarks belong to, and shall remain with, OHH and are not in any way to be considered appurtenant to the Property, regardless of whether any of the OHH Trade Names and Trademarks are used by Manager for the first time at the Property or elsewhere.

18.3 Termination. Upon termination of this Agreement for any reason, all further rights to use the OHH Trade Names and Trademarks, and all other service marks, slogans, signs, logos and emblems of OHH, shall remain with OHH, and Owner, and each and every other occupant of the Property, shall immediately cease all use of the OHH Trade Names and Trademarks, and all other service marks, slogans, signs, logos and emblems of OHH. Immediately upon termination of this Agreement, Owner shall make all such physical changes to the Property and take all such other action as is necessary to remove from use, in connection with the Property, the OHH Trade Names and Trademarks and any and all signs, consumable supplies and other items bearing the OHH Trade Names and Trademarks, and/or any logos, emblems, slogans or service marks of OHH. If Owner fails to take such action within thirty (30) days of termination of this Agreement, Manager, at Owner's expense, may enforce Owner's performance of its obligations hereunder by any legal means. OHH shall be a third-party beneficiary of Sections 18.2 and 18.3.

ARTICLE XIX

COVENANTS

19.1 Title to Property, If there is any dispute about Owner's right, title and interest in and to the Property, Owner shall, at Owner's expense and not as a Property Expense, pay for all costs and expenses related to such dispute.

19.2 Owner's Obligations. Owner shall pay, keep, observe and perform all payments, terms, covenants, conditions and obligations to be paid, kept, observed or performed by Owner under any agreement whatsoever in respect of the Property, except such payments, terms, covenants, conditions and obligations under the Property Documents that Manager is responsible for paying, observing or performing in the name of and on behalf of Owner during the Term.

19.3 Right of Entry. Subject to the rights of tenants under the Tenant Leases, Owner and its authorized officers, employees, accountants, lawyers and agents may enter the Property to examine the condition of the Property; provided, however, that Owner may not by so doing unreasonably interfere with the operation of the Property and shall give Manager reasonable advance notice of such entry.

19.4 Manager's On-Site Management Office. Owner hereby agrees and acknowledges that it will provide or cause to be provided through an Affiliate, as an Owner's Expense, office

and storage space near the Property for Manager's use in carrying out its duties hereunder. The office shall be furnished by Owner at Owner's Expense with such furniture and equipment as reasonably necessary for Manager to conduct its duties hereunder.

19.5 Manager's Rental of Other Properties. Owner acknowledges that Manager and its Affiliates are the owners and/or managers/operators of other commercial properties in Waikiki, Oahu, Hawaii, either for their own accounts or for that of the owners of those properties, and that Manager and its Affiliates manage and/or lease, or will manage and/or lease, such other properties to third party or affiliated tenants. Owner agrees that Manager may, in Manager's sole discretion, market and lease, from time to time, such other properties at other than the Property, without giving first priority to the leasing of the Property.

ARTICLE XX

COMPLIANCE WITH LAWS

20.1 Compliance with Laws and Insurance Policies. Subject to the provisions of Article X and Sections 19.1 and 19.2 above, Manager shall comply with and abide by all applicable requirements of all laws, rules, regulations, requirements, orders, notices, determinations and ordinances of any federal, state or municipal authority and the requirements of insurance companies covering any of the risks against which the Property is insured.

20.2 Right to Contest. Owner shall have the right to contest any alleged violation, and to postpone compliance pending the determination of such contest, as permitted by law. In case of Owner's contest and postponement of compliance pursuant to this Section 20.2, Owner shall indemnify Manager and its employees from any resulting liability, loss, cost, damage or expense (including all fees and expenses of attorneys approved or selected by Manager), unless such violation is proved to have been caused by Manager's gross negligence or willful misconduct.

ARTICLE XXI

ARBITRATION

21.1 Procedure. Except as is otherwise expressly provided herein, if any controversy should arise between the parties in the performance, interpretation or application of this Agreement, either party may serve upon the other written notice (i) stating that the notifying party desires to have such controversy reviewed by a board of three arbitrators, and (ii) naming one person whom such party chooses to act as one of the three arbitrators. Within fifteen (15) days after receipt of such a notice, the other party shall designate one person to act as arbitrator and shall notify the party requesting arbitration of such designation and the name of the person so designated. The two arbitrators designated as aforesaid shall promptly select a third arbitrator, and if they are not able to agree on such third arbitrator, then either arbitrator, on five (5) days' notice to the other, shall apply to the American Arbitration Association to designate and appoint such third arbitrator. If the party upon whom a request for arbitration is served shall fail to designate its arbitrator within fifteen (15) days after receipt of such a notice, then the arbitrator

designated by the party requesting arbitration shall act as the sole arbitrator and shall be deemed to be the single, mutually approved arbitrator to resolve the controversy at hand.

21.2 Arbitrator's Discretion. Unless Owner and Manager shall otherwise agree, the arbitrator(s) discretion in resolving any matter submitted to them for review pursuant to this Article XXI shall be to choose between one or the other of the parties' respective positions on each of the matters to be so resolved.

21.3 Miscellaneous, The decision in writing of the arbitrator(s) so selected or appointed shall be final and conclusive upon both parties. The costs and expenses of arbitration, including the compensation and expenses of the arbitrator(s), shall be borne by the parties as the arbitrator(s) may determine. Either party may apply to any court of competent jurisdiction for an order confirming the award; judgment of the court shall be entered upon the award unless the award is vacated, modified or corrected as provided by law.

ARTICLE XXII

REPRESENTATIONS AND WARRANTIES

22.1 By Owner. Owner represents and warrants to Manager that it is duly organized under the laws of the State of Delaware and is in good standing pursuant to the laws of the State of Hawaii, has all requisite power and authority to enter into this Agreement, and that when executed this Agreement will constitute the valid and binding obligation of Owner enforceable in accordance with its terms (subject to principles of equity and laws affecting creditors' rights generally). Owner further represents and warrants that the entering into of this Agreement does not contravene, nor constitute a default (or an event which with the giving of notice and/or the passage of time, would constitute a default) under any agreement to which Owner is a party.

22.2 By Manager. Manager represents and warrants that it is a limited partnership duly organized and in good standing pursuant to the laws of the State of Hawaii, has all requisite power and authority to enter into this Agreement, and that when executed this Agreement will constitute the valid and binding obligation of Manager (subject to principles of equity and laws affecting creditors' rights generally), enforceable in accordance with its terms. Manager further represents and warrants that the entering into of this Agreement does not constitute a default (or an event which with the giving of notice and/or the passage of time, would constitute a default), under any agreement to which Manager is a party.

ARTICLE XXIII

RESPONSIBILITY FOR PROPERTY OPERATIONS

23.1 No Partnership. In the performance of its duties as Manager of the Property, Manager shall act solely as agent of Owner for the operation of the Property; provided, however, that Owner's appointment of Manager as Owner's agent shall be an agency coupled with an

interest that is irrevocable except as expressly stated herein, and Owner hereby waives any and all rights it may have as principal *to* terminate Manager's agency and this Agreement at will. Nothing herein shall constitute a partnership or joint venture between Owner and Manager. All debts and liabilities to third persons incurred by Manager in the course of its operation and management of the Property shall be the debts and liabilities of Owner, and Manager may so inform third parties with whom it deals on behalf of Owner.

23.2 Manager's Right to Close Property. If at any time during the Term it becomes necessary in Manager's good faith and reasonable opinion to cease operation of the Property in order to protect the Property and/or the health, safety and welfare of the neighboring properties, invitees and/or employees of the Property, then in such event Manager may close and cease operation of all or part of the Property, reopening and commencing operation when Manager deems that such may be done without jeopardy to the Property, its neighboring properties, invitees and employees. Manager shall use reasonable efforts to inform Owner, as soon as reasonably practicable, of such closure.

ARTICLE XXIV

MISCELLANEOUS

24.1 Notices. All notices required to be given under this Agreement shall be in writing and shall either be (i) delivered by hand or (ii) sent by facsimile transmission, by a recognized private courier company, or by United States mail, registered or certified mail, postage prepaid return receipt requested, and addressed as follows:

If to Owner:	ABW HOLDINGS LLC c/o WBW Retail LLC 2375 Kuhio Avenue Honolulu, Hawaii 96815 Attn.: W. David P. Carey III Fax: (808) 921-6655
With a copy to:	ABW HOLDINGS LLC c/o WBW Retail LLC 2375 Kuhio Avenue Honolulu, Hawaii 96815 Attn.: Melvin Y. Kaneshige Fax: (808) 457-3520
And with a copy to:	ABW HOLDINGS LLC c/o American Assets, Inc. 11455 El Camino Real, Suite 200 San Diego, CA 92130 Attention: John Chamberlain Fax: (858) 350-2620

If to Manager: RETAIL RESORT PROPERTIES LLC
2375 Kuhio Avenue
Honolulu, Hawaii 96815
Attn: Barbara A. Campbell
Fax: (808) 921-6655

or such other address or facsimile number as either party may from time to time specify in writing to the other in the manner aforesaid. Such notices shall be deemed delivered upon receipt as determined by facsimile confirmation by the sending facsimile machine, or delivery or refusal to accept delivery as indicated in the U.S. Postal Service return-receipt or similar advice from the courier company. Unless otherwise notified in writing, each party shall direct all sums payable to the other party at its address for notice purposes.

24.2 Governing Law. This Agreement is being executed and delivered in the State of Hawaii and shall be governed by and construed and interpreted in accordance with the laws of the State of Hawaii.

24.3 Consents and Approvals.

a. Except as is otherwise expressly provided herein, whenever in this Agreement the consent or approval of Owner or Manager is required (including an Owner's Consent or an Owner's Supermajority Consent), such consent or approval shall not be unreasonably withheld or delayed and shall be in writing, signed by the members of a board, or an officer or agent, thereunto duly authorized, of the party granting such consent or giving such approval.

b. This Section 24.3.b shall apply whenever Owner or Manager desires to take any proposed action (the "**Requestor**") which requires the consent or approval of the other party hereunder (the "**Recipient**"), except as otherwise provided in this Agreement. The Requestor shall give written notice thereof to the Recipient, and such notice shall describe the proposed action in sufficient detail so as to enable the Recipient to exercise an informed judgment with respect thereto. As soon as practicable thereafter, the Recipient shall give the Requestor written notice that the Recipient either approves or disapproves the proposed action (setting forth the Recipient's reasons therefor if it disapproves of such proposed action) or indicating that it needs additional information. If the Recipient fails to respond (as provided herein) on or before the fourteenth (14th) Business Day following the effective date of the written notice describing any such proposed action proposed by the Requestor (or the fourteenth (14th) Business Day following the date such additional requested information is delivered to the Recipient), then the Recipient shall be presumed to have disapproved of such action.

24.4 No Waiver. No assent, expressed or implied, by Owner or Manager to any breach of or default in any term, covenant or condition which this Agreement requires to be performed or observed by the other party shall constitute a waiver of or assent to any succeeding breach of or default in the same or any other term, covenant or condition hereof.

24.5 Set-off. Manager shall have the right to set-off against any payments to be made to Owner by Manager under any provision of this Agreement, and against all funds from time to time in the Bank Accounts any and all liabilities of Owner to Manager, and Owner hereby pledges to Manager all funds from time to time in the Bank Accounts to secure the payment of all of the foregoing liabilities. Manager may withdraw from the Bank Accounts from time to time such amounts as it deems desirable in partial or full payment of all or any portion of said liabilities. The amounts of such withdrawals shall be paid by Owner to Manager on demand for replacement in the respective accounts.

24.6 Invalidity. In the event that any one or more of the phrases, sentences, clauses or paragraphs contained in this Agreement shall be declared invalid by the final and unappealable order, decree or judgment of any court, this Agreement shall be construed as if it did not contain such phrases, sentences, clauses or paragraphs.

24.7 Further Action. Owner and Manager shall execute and deliver all other appropriate supplemental agreements and other instruments, and take any other action necessary to make this Agreement fully and legally effective, binding, and enforceable as between them and as against third parties, including Owner's filing of such certificates as are required to be filed by persons or entities doing business in a name other than their own, indicating that Owner is engaging in the Property business at the Property under the name of the Property.

24.8 Estoppel Certificates. Upon request of either party, the other party shall, at the requesting party's cost and expense (including reasonable attorneys' fees) execute a certificate stating whether or not this Agreement is in full force and effect, whether or not there are any uncured defaults hereunder, whether such party claims any off-sets, counterclaims or defenses to an action by the other party, and whether or not all sums due and owing hereunder have been paid. Failure of the other party to deliver such certificate to the requesting party within twenty (20) days after such request shall mean that such other party certifies that this Agreement is in full force and effect, that there are no uncured defaults of the requesting party and that the requesting party has paid to the other party all sums due and owing the requesting party.

24.9 Attorneys' Fees. In the event of any litigation between Owner and Manager concerning the rights and obligations of the parties under this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and court costs.

24.10 No Party Deemed Drafter. Owner and Manager agree that no party shall be deemed to be the drafter of this Agreement and further that in the event that this Agreement is ever construed by a court of law, such court shall not deem either party to be the drafter of this Agreement.

24.11 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Owner, and its successors, and/or permitted assigns, and shall be binding upon and inure to the benefit of the Manager, and its successors and/or permitted assigns.

24.12 Captions. The captions and headings throughout this Agreement and its index are for convenience and reference only, and shall in no way be held or deemed to define, modify or add to the meaning, scope or intent of any provision of this Agreement.

24.13 Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof, superseding all prior agreements or undertakings, oral or written.

24.14 Amendment. This Agreement may be amended only by a writing signed by Owner and Manager.

IN WITNESS WHEREOF, the parties have caused this Management Agreement to be duly executed on the date first above written.

OWNER:

ABW HOLDINGS LLC
a Hawaii limited liability company

By /s/ Melvin Y. Kaneshige
Melvin Y. Kaneshige
Its Executive Vice President

MANAGER:

RETAIL RESORT PROPERTIES LLC,
a Hawaii limited liability company
By Outrigger Hotels Hawaii,
a Hawaii limited partnership
Its Sole Member
By Outrigger Enterprises, Inc.,
a Hawaii corporation
Its General Partner

By /s/ Melvin Y. Kaneshige
Melvin Y. Kaneshige
Its Executive Vice President

EXHIBIT A

1. The six (6) Retail Apartments and one Parking Apartment described in that certain condominium property regime called **"227 Lewers,"** created and established by that certain Declaration of Condominium Property Regime of 227 Lewers, dated January 14, 2005, recorded in the Bureau as Document No. 2005-010996, and as shown on the plans of such condominium filed in the Bureau as Condominium File Plan No. 3920, as amended, including by an Amended and Restated Declaration of Condominium Property Regime of 227 Lewers, recorded in the Bureau as Document No. 2005-227313, and as shown on the plans of such condominium filed in the Bureau as Condominium File Plan No. 3920, located on land in Waikiki, Oahu, Hawaii, described in such Declaration, such apartments being identified by Tax Map Key Parcel Nos. 2-6-2: 15, CPR Nos. 2 through 9.

2. The Retail Apartment described in that certain Declaration of Condominium Property Regime of **Beach Walk** Condominium Project, dated November 10, 2005, recorded in the Bureau as Document No. 2005-230978 and in the Land Court as Land Court Document No. 3353847, and noted on Transfer Certificate of Title No. 784,394, and as shown on the plans of such condominium filed in the Bureau and the Land Court as Condominium File Plan No. 4113 and Condominium Map No, 1757, and located on land in Waikiki, Oahu, Hawaii, described in such Declaration, such Retail Apartment being identified by Tax Map Key Parcel No. 2-6-3: 002, CPR No. 1.

EXHIBIT B

Annual Budget for 2007

WAIKIKI BEACH WALK

2007 Operating Budget -
ABW Holdings LLC
1/1/07-12/31/07

revised 10/30/2007

SUMMARY		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
							2007							
TOTAL RENTAL INCOME		430,457	610,148	699,246	750,245	876,078	876,078	876,078	876,078	876,078	876,078	714,011	714,011	**9,174,587**
PERCENTAGE RENTS		—	—	—	—	—	—	—	—	—	68,846	68,846	68,846	**206,539**
CAM RECOVERY (net of 5% leakage)		57,764	101,987	120,339	128,335	137,721	137,721	137,721	137,721	137,721	137,721	124,640	124,640	**1,484,033**
RPT RECOVERY		11,529	20,357	24,020	25,616	27,490	27,490	47,421	47,421	47,421	47,421	43,142	43,142	**412,468**
GET RECOVERY		28,526	40,484	48,022	51,057	57,194	57,194	58,086	58,086	58,086	61,168	52,713	52,713	**623,329**
PARKING INCOME		130,634	163,292	217,723	224,566	224,566	224,566	224,566	224,566	224,566	224,566	224,566	224,566	**2,532,743**
TOTAL INCOME		658,911	936,268	1,109,350	1,179,819	1,323,049	1,323,049	1,343,872	1,343,872	1,343,872	1,415,800	1,227,918	1,227,918	**14,433,699**
Less Vacancy Loss (5% exc parking)		(24,988)	(36,625)	(42,180)	(45,210)	(52,064)	(52,064)	(53,061)	(53,061)	(53,061)	(56,503)	(47,532)	(47,532)	**(563,881)**
ADJUSTED INCOME		633,923	899,643	1,067,170	1,134,609	1,270,984	1,270,984	1,290,811	1,290,811	1,290,811	1,359,297	1,180,386	1,180,386	**13,869,817**
LESS TOTAL OPERATING EXPENSES		(323,483)	(351,196)	(377,235)	(382,337)	(392,965)	(392,965)	(415,336)	(415,336)	(415,336)	(420,842)	(345,165)	(358,052)	**(4,590,246)**
NET OPERATING INCOME		310,441	548,448	689,935	752,272	878,019	878,019	875,476	875,476	875,476	938,455	835,222	822,335	**9,279,572**

DETAIL		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
TOTAL RENTAL INCOME		430,457	610,148	699,246	750,245	876,078	876,078	876,078	876,078	876,078	876,078	714,011	714,011	**9,174,587**
OTHER INCOME														
PERCENTAGE RENTS											68,846	68,846	68,846	**206,539**
CAM RECOVERY (net of 5% leakage)		57,764	101,987	120,339	128,335	137,721	137,721	137,721	137,721	137,721	137,721	124,640	124,640	**1,484,033**
RPT RECOVERY		11,529	20,357	24,020	25,616	27,490	27,490	47,421	47,421	47,421	47,421	43,142	43,142	**412,468**
GET RECOVERY	4.712%	28,526	40,484	48,022	51,057	57,194	57,194	58,086	58,086	58,086	61,168	52,713	52,713	**623,329**
PARKING INCOME		130,634	163,292	217,723	224,566	224,566	224,566	224,566	224,566	224,566	224,566	224,566	224,566	**2,532,743**
Total Other Income		228,453	326,120	410,104	429,574	446,971	446,971	467,794	467,794	467,794	539,722	513,908	513,908	**5,259,112**
Less Vacancy Loss (5% exc parking)	5%	(24,988)	(36,625)	(42,180)	(45,210)	(52,064)	(52,064)	(53,061)	(53,061)	(53,061)	(56,503)	(56,503)	(56,503)	**(581,824)**
TOTAL INCOME		633,923	899,643	1,067,170	1,134,609	1,270,984	1,270,984	1,290,811	1,290,811	1,290,811	1,359,297	1,171,415	1,171,415	**13,851,875**
OPERATING EXPENSES(CAM)														
Administrative		(23,563)	(23,563)	(23,563)	(23,563)	(23,563)	(23,563)	(23,563)	(23,563)	(23,563)	(23,563)	(21,489)	(21,489)	**(278,603)**
Administrative - Allowable Mgmt Fee		(21,896)	(21,896)	(21,896)	(21,896)	(21,896)	(21,896)	(24,886)	(24,886)	(24,886)	(24,886)	(20,024)	(22,085)	**(273,029)**
Cleaning/Refuse		(29,738)	(29,738)	(29,738)	(29,738)	(29,738)	(29,738)	(29,738)	(29,738)	(29,738)	(29,738)	(27,121)	(27,121)	**(351,621)**
Electricity		(13,271)	(13,271)	(13,271)	(13,271)	(13,271)	(13,271)	(13,271)	(13,271)	(13,271)	(13,271)	(12,103)	(12,103)	**(156,913)**
Elevators		(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(1,138)	**(4,438)**
Escalators		(292)	(292)	(292)	(292)	(292)	(292)	(292)	(292)	(292)	(292)	(292)	(1,467)	**(4,679)**
HVAC - R&M		(781)	(781)	(781)	(781)	(781)	(781)	(781)	(781)	(781)	(781)	(712)	(1,430)	**(9,952)**
Landscaping		(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,140)	(11,115)	**(24,755)**
Life Safety		(602)	(602)	(602)	(602)	(602)	(602)	(602)	(602)	(602)	(602)	(549)	(549)	**(7,113)**
Pest Control		(1,094)	(1,094)	(1,094)	(1,094)	(1,094)	(1,094)	(1,094)	(1,094)	(1,094)	(1,094)	(998)	(998)	**(12,934)**
Refuse		—	—	—	—	—	—	—	—	—	—	—	—	**—**
Repairs and Maintenance		(3,069)	(3,069)	(3,069)	(3,069)	(3,069)	(3,069)	(3,069)	(3,069)	(3,069)	(3,069)	(2,799)	(2,799)	**(36,290)**
Security		(25,522)	(25,522)	(25,522)	(25,522)	(25,522)	(25,522)	(25,522)	(25,522)	(25,522)	(25,522)	(23,276)	(23,276)	**(301,772)**
Water/Sewer		(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,150)	(1,150)	**(14,908)**
Insurance		(17,745)	(17,745)	(17,745)	(17,745)	(17,745)	(17,745)	(17,745)	(17,745)	(17,745)	(17,745)	(16,184)	(16,184)	**(209,821)**
Total CAM		(140,383)	(140,383)	(140,383)	(140,383)	(140,383)	(140,383)	(143,373)	(143,373)	(143,373)	(143,373)	(128,136)	(142,903)	**(1,686,830)**
Real Property Taxes		(27,489)	(27,489)	(27,489)	(27,489)	(27,489)	(27,489)	(47,420)	(47,420)	(47,420)	(47,420)	(46,220)	(46,220)	**(447,054)**
OTHER OPERATING EXPENSES														
Parting Expense		(79,102)	(87,263)	(100,865)	(100,880)	(100,880)	(100,880)	(102,322)	(102,322)	(102,322)	(102,322)	(102,322)	(102,322)	**(1,183,800)**
General Excise Tax	4.500%	(28,527)	(40,484)	(48,023)	(51,057)	(57,194)	(57,194)	(58,087)	(58,087)	(58,087)	(61,168)	(52,714)	(52,713)	**(623,334)**
First Hawaiian Bank Rent		(49,354)	(49,354)	(49,354)	(49,354)	(49,354)	(49,354)	(49,354)	(49,354)	(49,354)	(49,354)	—	—	**(493,539)**
Unrecoverable Landlord Expense		1,372	(6,222)	(11,121)	(13,174)	(17,665)	(17,665)	(14,780)	(14,780)	(14,780)	(17,205)	(15,773)	(13,894)	**(155,688)**
Total Other Operating Expenses		(155,611)	(183,324)	(209,363)	(214,465)	(225,093)	(225,093)	(224,543)	(224,543)	(224,543)	(230,049)	(170,809)	(168,929)	**(2,456,362)**
TOTAL OPERATING EXPENSES		(323,483)	(351,196)	(377,235)	(382,337)	(392,965)	(392,965)	(415,336)	(415,336)	(415,336)	(420,842)	(345,165)	(358,052)	**(4,590,246)**
NET OPERATING INCOME		310,441	548,448	689,935	752,272	878,019	878,019	875,476	875,476	875,476	938,455	826,251	813,363	**9,261,629**

Note: The above does not include promotions fund charges and related expenses, refuse charges and related expense and utility charges and related expense. All of these costs are expected to be reimbursed by tenants except for vacancy loss. In addition, straightline rent pending.

* Refuse charges will be billed back to tenants separately from the CAM estimate as refuse will be based on tenant usage.

EXHIBIT C

Requirements of Loan Documents

All references to "Borrower" shall mean and refer to Owner, as defined in this Management Agreement. All capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to them in the Loan Documents.

1. Regularly scheduled debt service payments or payments required under Loan Documents:

(a) Principal Loan Amount: The principal sum of the Loan, which is $130,310,000 and all interest thereon shall be due and payable on July 1, 2017 (the "**Maturity Date**").

(b) Monthly Payment: A Monthly Payment equal to the amount of interest which has accrued during the preceding Interest Accrual Period (i.e. the period beginning on the first day of each calendar month during the term hereof and ending on (but including) the last day of such calendar month) computed at 5.387% per annum (the **"Applicable Interest Rate")** on the first day of each calendar month **("Monthly Payment Date")** up to and including the first day of February, 2017, with each Monthly Payment to be applied to the payment of interest which has accrued during the preceding Interest Accrual Period.

(c) Escrow Fund: In addition to any initial deposits to the Escrow Fund, except as provided below, Borrower shall pay to Lender on the first day of each calendar month (a) one twelfth of an amount which would be sufficient to pay the Taxes payable, or reasonably estimated by Lender to be payable, during the next ensuing twelve (12) months and (b) one twelfth of an amount which would be sufficient to pay the Insurance Premiums due for the renewal of the coverage afforded by the Policies upon the expiration thereof. Notwithstanding the foregoing, Borrower shall not be required to make deposits to the Escrow Fund for Insurance Premiums, pursuant to the Loan Documents so long as (i) no Event of Default occurs and is continuing thereunder, (ii) Borrower pays all Insurance Premiums by no later than ten Business Days prior to the delinquency thereof, and (iii) Borrower provides Lender paid receipts for the payment of the Insurance Premiums by no later than one Business Day prior to the delinquency thereof.

(d) Replacement Reserve: On each Monthly Payment Date, Borrower shall deposit with Lender into an Eligible Account held by Lender or any Servicer appointed by Lender (such account, the "**Replacement Reserve**") an amount equal to $776.75, which monies shall be used for replacements and alterations to the Property required to be capitalized according to GAAP (individually or collectively (as the context requires) the "**Capital Expenditures**") approved by Lender.

(e) Deposits to Leasing Reserve. Borrower has deposited into an Eligible Account held by Lender or any Servicer appointed by Lender (the "**Leasing Reserve**") an amount equal to $635,133 (the "**Initial Leasing Reserve**"). In addition, on each Monthly Payment Date, Borrower shall deposit the sum of $7,767.50 into the Leasing Reserve (each such amount, collectively, the "**Ongoing Leasing Reserve**"); provided, that, Borrower shall have no further

obligation to make the foregoing monthly deposits to the extent that, as of any applicable Monthly Payment Date, amounts on deposit in the Leasing Reserve (exclusive of any amounts representing the Initial Leasing Reserve) equal or exceed $50,000.

2. Borrower's accounting and reporting requirements set forth in the Loan Documents:

(a) Insurance: Borrower shall pay the Insurance Premiums as the same become due and payable and shall furnish to Lender evidence of the renewal of each of the new Policies with receipts for the payment of the Insurance Premiums or other evidence of such payment reasonably satisfactory to Lender at least 20 days prior to the expiration of any apparently expiring Policy.

(b) Taxes: Borrower will deliver to Lender, promptly upon Lender's written request, evidence satisfactory to Lender that the Taxes, Other Charges and utility service charges have been so paid or are not then delinquent.

(c) Changes: Borrower agrees to notify Lender immediately of any changes to the amounts, schedules and instructions for payment of any Taxes and Insurance Premiums of which it has obtained knowledge.

(d) Books and Records:

(i) Borrower shall keep adequate books and records of account in accordance with Borrower's current methods (which such methods are tax basis accounting) or such other comprehensive basis of accounting as may be acceptable to Lender in its reasonable discretion, in each case consistently applied (each or any of the foregoing, the **"Approved Accounting Method")** and furnish to Lender:

(1) prior to Securitization, monthly (but in no event for a period of more than two years from the date hereof) and, thereafter, quarterly, rent rolls signed, dated and certified by Borrower (or an officer, general partner or principal of Borrower if Borrower is not an individual) to be true and complete to the best knowledge of such person, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the base rent and any other charges payable under each Lease and the term of each Lease, including the expiration date, and any other information as is reasonably required by Lender, within 30 days after the end of each calendar month or quarter (as applicable);

(2) prior to Securitization, monthly (but in no event for a period of more than two years from the date hereof) and, thereafter, quarterly, operating statements of the Property certified by Borrower (or an officer, general partner or principal of Borrower if Borrower is not an individual) to be true and complete to the best knowledge of such person, detailing the total revenues received, total expenses incurred, total capital expenditures (including, but not limited to, all capital improvements (including, but not limited to, tenant improvements)), leasing commissions and other leasing costs, total debt service and total cash flow, and if available, any quarterly operating statement prepared by an independent certified public accountant, within 30 days after the close of each calendar month or quarter (as applicable); and

(3) an annual balance sheet and profit and loss statement of Borrower, prepared and certified by Borrower, and, if available, any financial statements prepared by an independent certified public accountant within 90 days after the close of each fiscal year of Borrower.

(ii) Upon request from Lender, Borrower shall furnish to Lender: (1) an accounting of all security deposits held in connection with any Lease of any part of the Property; and (2) an annual operating budget presented on a monthly basis consistent with the annual operating statement described above for the Property and all proposed capital replacements and improvements.

(iii) Borrower shall furnish Lender with such other additional financial or management information regarding Borrower and/or the Property as may, from time to time, be reasonably required by Lender.

(iv) If, at the time a Disclosure Document is being prepared for a Securitization, Lender expects that Borrower alone or Borrower and one or more affiliates of Borrower collectively, or the Property alone or the Property and Related Properties (defined below) collectively, will be a Significant Obligor (defined below), Borrower shall furnish to Lender upon request (i) the selected financial data or, if applicable, net operating income, required under Item 1112(b)(l) of Regulation AB, if Lender expects that the principal amount of the Loan together with any Related Loans (defined below) as of the cut-off date for such Securitization may, or if the principal amount of the Loan together with any Related Loans as of the cut-off date for such Securitization and at any time during which the Loan and any Related Loans are included in a Securitization does, equal or exceed ten percent (10%) (but less than twenty percent (20%)) of the aggregate principal amount of all mortgage loans included or expected to be included, as applicable, in the Securitization, or (ii) the financial statements required under Item 1112(b)(2) of Regulation AB, if Lender expects that the principal amount of the Loan together with any Related Loans as of the cut-off date for such Securitization may, or if the principal amount of the Loan together with any Related Loans as of the cut-off date for such Securitization and at any time during which the Loan and any Related Loans are included in a Securitization does, equal or exceed twenty percent (20%) of the aggregate principal amount of all mortgage loans included or expected to be included, as applicable, in the Securitization. Such financial data or financial statements shall be furnished to Lender (A) within ten Business Days after notice from Lender in connection with the preparation of Disclosure Documents for the Securitization, (B) not later than 30 days after the end of each fiscal quarter of Borrower and (C) not later than 75 days after the end of each fiscal year of Borrower; provided, however, that Borrower shall not be obligated to furnish financial data or financial statements pursuant to clauses (B) or (C) of this sentence with respect to any period for which a filing pursuant to the Exchange Act in connection with or relating to the Securitization (an **"Exchange Act Filing")** is not required. If requested by Lender, Borrower shall furnish to Lender financial data and/or financial statements for any tenant of the Property if, in connection with a Securitization, Lender expects there to be, with respect to such tenant or group of affiliated tenants, a concentration within all of the mortgage loans included or expected to be included, as applicable, in the Securitization such that such tenant or group of affiliated tenants would constitute a Significant Obligor.

(v) All financial data and financial statements provided by Borrower hereunder pursuant to Section 2(d)(iv) hereof shall be prepared in accordance with GAAP, and shall meet the requirements of Regulation AB and other applicable legal requirements. All financial statements referred to in Section 2(d)(iv) above shall be audited by independent accountants of Borrower acceptable to Lender in accordance with Regulation AB and all other applicable legal requirements, shall be accompanied by the manually executed report of the independent accountants thereon, which report shall meet the requirements of Regulation AB and all other applicable legal requirements, and shall be further accompanied by a manually executed written consent of the independent accountants, in form and substance acceptable to Lender, to the inclusion of such financial statements in any Disclosure Document and any Exchange Act Filing and to the use of the name of such independent accountants and the reference to such independent accountants as "experts" in any Disclosure Document and Exchange Act Filing, all of which shall be provided at the same time as the related financial statements are required to be provided. All financial data and financial statements (audited or unaudited) provided by Borrower under Section 2(d)(iv) shall be accompanied by an executed certificate of a responsible officer of Borrower, which certification shall state that such financial statements meet the requirements set forth in the first sentence of this Section Section 2(d)(v).

(vi) If requested by Lender, Borrower shall provide Lender, promptly upon request, with any other or additional financial statements, or financial, statistical or operating information, as Lender shall determine to be required pursuant to Regulation AB or any amendment, modification or replacement thereto or other legal requirements in connection with any Disclosure Document or any Exchange Act Filing or as shall otherwise be reasonably requested by Lender.

(vii) In the event Lender determines, in connection with a Securitization, that the financial data and financial statements required in order to comply with Regulation AB or any amendment, modification or replacement thereto or other legal requirements are other than as provided herein, then notwithstanding the provisions of this Section, Lender may request, and Borrower shall promptly provide, such other financial data and financial statements as Lender determines to be necessary or appropriate for such compliance.

(viii) Any reports, statements or other information required to be delivered under this Agreement shall be delivered (i) in paper form, (ii) on a diskette, and (iii) if requested by Lender and within the capabilities of Borrower's data systems without change or modification thereto, in electronic form and prepared using a Microsoft Word for Windows or WordPerfect for Windows files (which files may be prepared using a spreadsheet program and saved as word processing files). Borrower agrees that Lender may disclose information regarding the Property and Borrower that is provided to Lender pursuant to this Section in connection with the Securitization to such parties requesting such information in connection with such Securitization.

(ix) As used above, the following defined terms have the following meanings:

(1) **"Regulation AB"** shall mean Regulation AB under the Securities Act and the Exchange Act, as such Regulation may be amended from time to time.

(2) "**Related Loan**" shall mean a loan to an affiliate of Borrower or secured by a Related Property, that is included in a Securitization with the Loan.

(3) "**Related Property**" shall mean a parcel of real property, together with improvements thereon and personal property related thereto, that is "related" within the meaning of the definition of Significant Obligor, to the Property.

(4) "**Significant Obligor**" shall have the meaning set forth in Item 1101(k) of Regulation AB under the Securities Act.

(e) Assessment Reserve: Borrower shall provide evidence reasonably acceptable to Lender of its payment of all Assessments prior to delinquency thereof (the "**Assessment Payment Evidence**"). Borrower shall immediately notify Lender of (a) any adjustments made to the amount of Assessments due under the Condominium Documents, or (b) the imposition of any additional Assessments under the Condominium Documents.

(f) Lease Termination Reserve: Borrower shall notify Lender in writing, within two Business Days following receipt thereof, of Borrower's receipt of any early termination fee or payment or other termination fee or payment paid by any tenant under any Lease (any such payment, a "**Termination Payment**").

(g) Letter of Credit: If Borrower is at any time a beneficiary under a letter of credit relating to the properties, rights, titles and interests referenced in Section 1.1 of Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing ("**Security Agreement**") now or hereafter issued in favor of Borrower, Borrower shall promptly notify Lender thereof.

(h) Parking Management Agreement: Borrower shall promptly notify Lender of any default under the Parking Management Agreement of which it is aware.

(i) Hazardous Substances: Borrower shall immediately notify Lender in writing of (A) any presence or Releases or threatened Releases of Hazardous Substances in, on, under, from or migrating towards the Property; (B) any non compliance with any Environmental Laws related in any way to the Property; (C) any actual or potential Environmental Lien; (D) any required or proposed Remediation of environmental conditions relating to the Property; and (E) any written or oral notice or other communication which Borrower becomes aware from any source whatsoever (including but not limited to a governmental entity) relating in any way to Hazardous Substances or Remediation thereof affecting the Property, possible liability of any person or entity pursuant to any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with he foregoing.

3. Rights of Lender under the Loan Documents with regard to insurance and terms and conditions in the event of casualty, as set forth in Exhibits C-1 and C-3 attached hereto and made a part hereof.

4. Rights of Lender under the Loan Documents with regard to condemnation, as set forth in Exhibits C-2 and C-3 attached hereto and made a part hereof.

5. Limitations in Loan Documents regarding the assignment or other disposition or transfer (by operation of law or otherwise) by Manager or Borrower of all or any portion of this Agreement to an Affiliate of such assigning party.

(a) Borrower shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned or delayed): surrender, terminate or cancel the Management Agreement or otherwise replace Manager or enter into any other management agreement with respect to the Property (provided, that, the foregoing shall not be deemed to prohibit Manager from sub-contracting some of its responsibilities under the Management Agreement provided that Manager retains responsibility and control of all material management decisions).

6. Cash Management Agreement and Restricted Account Agreement Requirements, including bank account information into which all Property Revenues shall be deposited:

(a) Cash Management Agreement

(i) Establishment of the Accounts.

(1) Borrower has, simultaneously herewith or prior hereto, established an account (the "**Restricted Account**") pursuant to the Restricted Account Agreement into which Borrower shall deposit, or cause to be deposited, all Rents and other revenue from the Property. Borrower shall be entitled to the disbursement, on a daily basis, of all funds on deposit in the Restricted Account except during any Cash Management Period, during which the provisions of paragraph (1), below shall control.

(2) Upon or prior to the occurrence of a Cash Management Period, Lender and Agent shall, on behalf of Borrower, establish an Eligible Account with Agent (the "**Cash Management Account**"). Upon the occurrence of a Cash Management Period and continuing until a Cash Management Period Termination Event, Lender may instruct Bank to cause all sums deposited in the Restricted Account to be deposited each Business Day into the Cash Management Account pursuant to the Restricted Account Agreement. The following subaccounts (each a "**Subaccount**") of the Cash Management Account shall be maintained on a ledger-entry basis:

(a) Subaccount for Taxes and Insurance Premiums to be deposited into the Escrow Fund pursuant to Article 3 of the Security Instrument, to the extent applicable (the "**Tax and Insurance Escrow Subaccount**").

(b) A Subaccount for amounts to be deposited into the Replacement Reserve (as defined in the Reserve Agreement) pursuant to the Reserve Agreement, to the extent applicable (the "**Replacement Reserve Subaccount**");

(c) A Subaccount for amounts to be deposited into the Leasing Reserve (as defined in the Reserve Agreement) pursuant to the Reserve Agreement, to the extent applicable (the "**Leasing Reserve Subaccount**");

(d) A Subaccount for debt service payments to be paid to Lender (the "**Debt Service Subaccount**").

(e) A Subaccount for amounts to be deposited in accordance with Section 3.3(f) of the Cash Management Agreement, to the extent applicable (the "**Borrower Subaccount**").

(b) Restricted Account Agreement Requirements

(i) Establishment of the Account. Borrower and Bank acknowledge and confirm that Borrower has established with Bank an account with account number 0004-502477.

(ii) Account Name and Characteristics. The Restricted Account shall be in the name of Borrower for the sole and exclusive benefit of Lender or for the benefit of such other person or entity as Lender may direct in writing. Borrower and Bank shall maintain the Restricted Account as an Eligible Account. The Restricted Account shall be assigned the federal tax identification number of Borrower, which number is 20-8341562.

7. All amounts owing by Borrower under the Loan Documents (including debt service, impounds, and reserves) and time for payment out of Property Revenues or, if such Property Revenues are insufficient out of funds provided by Borrower:

(a) Principal Loan Amount: The principal sum of $130,310,000 with an Applicable Interest Rate of 5.387% per annum, upon the Maturity Date.

(b) Escrow Fund: Payments pursuant to Section 1(c) above.

(c) Assessment, Reserve: To the extent that Lender is not in receipt of the Assessment Payment Evidence, Lender may, at Lender's option, require Borrower for the remainder of the Loan to deposit into an Eligible Account held by Lender or any Servicer appointed by Lender (the **"Assessment Reserve"**) a monthly amount sufficient to pay the Assessments when due.

(d) Replacement Reserve: Payments pursuant to Section l(d) above.

(e) Lease Termination Reserve: Borrower shall promptly deposit each Lease Termination Payment into an Eligible Account held by Lender or any Servicer appointed by Lender (such account, the "**Lease Termination Reserve**").

(f) Deposits to Leasing Reserve. Payments pursuant to Section 1(e) above.

EXHIBIT C-1

Loan Document Requirements Re: Insurance and Casualty

All references to "Borrower" shall mean and refer to Owner, as defined in this Management Agreement.

(a) Borrower, at its sole cost and expense, for the mutual benefit of Borrower and Lender, shall obtain and maintain, or cause to be maintained, during the entire term of this Security Instrument policies of insurance for Borrower and the Property providing at least the following coverages:

(i) comprehensive all risk insurance ("**Special Form**") including, but not limited to, loss caused by any type of windstorm or hail on the Improvements and the Personal Property, (A) in an amount equal to one hundred percent (100%) of the "Full Replacement Cost," which for purposes of this Security Instrument shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation, but the amount shall in no event be less than the outstanding principal balance of the Loan; (B) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions or to be written on a no co-insurance form; (C) providing for no deductible in excess of Fifty Thousand and No/100 Dollars ($50,000.00) for all such insurance coverage and (D) if any of the Improvements or the use of the Property shall at any time constitute legal non-conforming structures or uses, coverage for loss due to operation of law in an amount equal to the Full Replacement Cost, coverage for demolition costs and coverage for increased costs of construction. In addition, Borrower shall obtain: (y) if any portion of the Improvements is currently or at any time in the future located in a federally designated "special flood hazard area," flood hazard insurance in an amount equal to (A) the lesser of (1) the outstanding principal balance of the Note or (2) the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended or such lesser amount as Lender shall require plus (B) excess flood insurance in an amount equal to the building value of the first floor of the Improvements plus three (3) months worth of the coverage set forth in subsection (ii) hereof; and (z) earthquake insurance in amounts and in form and substance reasonably satisfactory to Lender in the event the Property is located in an area with a high degree of seismic activity, provided that the insurance required to be maintained pursuant to clauses (y) and (z) above shall be on terms consistent with the Special Form policy required pursuant to this subsection (i). Notwithstanding anything to the contrary in this Security Instrument, the insurance coverage described in the foregoing subparagraphs (y) and (z) shall be required (1) as of the date hereof only if determined to be necessary by Lender based upon its reasonable evaluation of third party reports, and (2) at any time hereafter in the event subsequent third party reports indicate a change in the condition of or circumstances surrounding the Property;

(ii) rental loss insurance (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in subsection (i) above; (C) in an annual aggregate amount equal to 100% of all rents or estimated gross revenues from the operation of

the Property (as reduced to reflect actual vacancies and expenses not incurred during a period of Restoration) and covering rental losses for a period of at least eighteen (18) months after the date of the casualty and notwithstanding that the Policy may expire prior to the end of such period and (D) containing an extended period of indemnity endorsement which provides that after physical loss to the Improvements and the Personal Property has been repaired, the continued loss of income will be insured until such income returns to the same level it was prior to the loss, or the expiration of six (6) months from the date of completion of the Restoration, whichever first occurs and notwithstanding that the policy may expire prior to the end of such period. The amount of such rental loss insurance shall be determined prior to the date hereof and at least once each year thereafter based on Borrower's reasonable estimate of the gross income from the Property for the succeeding eighteen (18) month period and a five percent (5%) vacancy factor. Provided no Event of Default has occurred and is continuing, all proceeds payable to Lender pursuant to this subsection (the "**Rent Loss Proceeds**") shall (i) to the extent such proceeds are not paid in a lump sum in advance, be disbursed by Lender (A) to Borrower provided a Cash Management Period (as defined in the Cash Management Agreement) does not exist or (B) to the extent a Cash Management Period exists, into the Cash Management Account (as defined in the Cash Management Agreement) to be further disbursed in accordance with the applicable terms and conditions of the Cash Management Agreement or (ii) in the event such Rent Loss Proceeds are paid in a lump sum in advance, be held by Lender in a segregated interest-bearing escrow account and Lender shall estimate the number of months required for Borrower to restore the damage caused by the applicable casualty, shall divide the applicable aggregate Rent Loss Proceeds by such number of months and shall, provided no Event of Default has occurred and is continuing, disburse such monthly installment of Rent Loss Proceeds from such escrow account to (A) if a Cash Management Period then exists, the Cash Management Account to be further disbursed in accordance with the applicable terms and conditions of the Cash Management Agreement or (B) if a Cash Management Period does not then exist, Borrower each month during the performance of such Restoration. During the continuance of an Event of Default, all Rent Loss Proceeds shall be held by Lender in the Cash Management Account and may be applied by Lender in the same manner as Rents held therein pursuant to the terms thereof and of the other Loan Documents. Nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured by the Loan Documents on the respective dates of payment provided for in the Note and the other Loan Documents except to the extent such amounts are actually paid out of the proceeds of such Rent Loss Proceeds;

(iii) at all times during which structural construction, repairs or alterations are being made with respect to the Improvements, and only if the Property coverage form referenced in subsection (i), above, does not otherwise apply, (A) owner's contingent or protective liability insurance, otherwise known as Owner Contractor's Protective Liability, covering claims not covered by or under the terms or provisions of the commercial general liability insurance policy in (v) below; and (B) the insurance provided for in subsection (i) above written in a so-called builder's risk completed value form (1) on a non-reporting basis, (2) against all risks insured against pursuant to subsection (i) above, (3) including permission to occupy the Property, and (4) with an agreed amount endorsement waiving co-insurance provisions;

(iv) comprehensive boiler and machinery insurance, if steam boilers or other pressure-fixed vessels are in operation, in amounts as shall be reasonably required by Lender on

terms consistent with the commercial property insurance policy required under subsection (i) above;

(v) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the so-called "occurrence" form with a combined limit of not less than Two Million and No/100 Dollars ($2,000,000.00) in the aggregate and One Million and No/100 Dollars ($1,000,000.00) per occurrence; (B) to continue at not less than the aforesaid limit until reasonably required to be changed by Lender as provided in subsection 3.3(b) below; and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations on an "if any" basis; (3) independent contractors; (4) blanket contractual liability and (5) contractual liability covering the indemnities contained in Section 13.1 to the extent the same is available;

(vi) automobile liability coverage for all owned and non-owned vehicles, if any, used by Borrower in the operation of the Property, including rented and leased vehicles containing minimum limits per occurrence of One Million and No/100 Dollars ($1,000,000.00);

(vii) umbrella liability insurance in an amount not less than Thirty Million and No/100 Dollars ($30,000,000.00) per occurrence on terms consistent with the commercial general liability insurance policy required under subsection (ii) above, including, but not limited to, supplemental coverage for workers' compensation and automobile liability, which umbrella liability coverage shall apply in excess of the automobile liability coverage in clause (vi) above;

(viii) so-called "dramshop" insurance, if applicable, or other liability insurance required in connection with the sale of alcoholic beverages; and

(ix) workers' compensation, subject to the statutory limits of the state in which the Property is located, and employer's liability insurance with a limit of at least $1,000,000 per accident and per disease per employee, and $1,000,000 for disease aggregate in respect of any work or operations on or about the Property, or in connection with the Property or its operation (if applicable);

(x) (A) such insurance as may be required pursuant to the terms of the Property Documents and (B) upon sixty (60) days' written notice, such other reasonable insurance (such as sinkhole or land subsidence insurance) in such reasonable amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in or around the region in which the Property is located.

(b) All insurance provided for in Section 3.3(a) shall be obtained under valid and enforceable policies (collectively, the "**Policies**" or in the singular, the "**Policy**"), and (i) shall be issued by financially sound and responsible insurance companies reasonably approved by Lender, and authorized or licensed to do business in the state where the Property is located, with (A) general policy ratings of A or better and financial classes of X or better by A.M. Best Company, Inc. and (B) either (i) such insurance companies having claims paying ability/financial strength

ratings of “A” (or its equivalent) or better by the Rating Agencies or (ii) to the extent that the Policies are issued by a syndicate of not less than five (5) insurance companies each otherwise meeting the requirements set forth herein, sixty percent (60%) of such insurance companies having a claims paying ability/financial strength rating of “A” (or its equivalent) or better by the Rating Agencies (with the first layers of the coverages required hereunder provided by such insurance companies) and the remaining forty percent (40%) of such insurance companies having a claims paying ability/Financial strength rating of “BBB” (or its equivalent) or better by the Rating Agencies; (ii) shall name Borrower as the insured and Lender as an additional insured, as its interests may appear; (iii) in the case of property damage, boiler and machinery and, if required pursuant to the provisions hereof, flood and earthquake insurance, shall contain a so called New York Non Contributory Standard Mortgagee Clause and (other than those strictly limited to liability protection) a Lender’s Loss Payable Endorsement (Form 438 BFU NS), or their equivalents, naming Lender as the person to which all payments made by such insurance company shall be paid; (iv) shall contain a waiver of subrogation against Lender; (v) shall be maintained throughout the term of this Security Instrument without cost to Lender; (vi) shall be assigned and, if requested in writing by Lender, the originals (or duplicate originals certified to be true and correct by the applicable insurer or its agent) delivered to Lender; and (vii) shall contain such provisions, consistent with the provisions hereof, as Lender deems reasonably necessary or desirable to protect its interest including, without limitation, endorsements or clauses providing that (I) neither Borrower, Lender nor any other party shall be a co insurer under said Policies, (II) that Lender shall receive at least ten (10) days prior written notice of any modification, reduction or cancellation of any Policy, (III) no act or negligence of Borrower, or anyone acting for Borrower, or of any tenant or other occupant, or failure to comply with the provisions of any Policy, which might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as Lender is concerned, (IV) Lender shall not be liable for any Insurance Premiums (defined below) thereon or subject to any assessments thereunder, and (V) such Policies do not exclude coverage for acts of terror or similar acts of sabotage. Any blanket Policy shall specifically allocate to the Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Property in compliance with the provisions of Section 3.3(a). Borrower shall pay the premiums for such Policies (the “**Insurance Premiums**”) as the same become due and payable and shall furnish to Lender evidence of the renewal of each of the new Policies with receipts for the payment of the Insurance Premiums or other evidence of such payment reasonably satisfactory to Lender (provided that such Insurance Premiums have not been paid to Lender or Lender’s servicing agent pursuant to Section 3.5 hereof). If Borrower does not furnish such evidence and receipts at least twenty (20) days prior to the expiration of any apparently expiring Policy, then Lender may procure, but shall not be obligated to procure, such insurance and pay the Insurance Premiums therefor, and Borrower agrees to reimburse Lender for the cost of such Insurance Premiums promptly on demand. Within thirty (30) days after request by Lender, Borrower shall obtain such increases in the amounts of coverage required hereunder as may be reasonably requested by Lender, taking into consideration changes in the value of money over time, changes in liability laws, changes in prudent customs and practices, and the like; provided, however, such increased coverages shall not be requested more frequently than once every three years, and shall only be requested if such coverage is commercially available at commercially reasonable rates and such rates are consistent

with those paid in respect of comparable properties in comparable locations, and Lender also reasonably determines that either (I) prudent owners of real estate comparable to the Property are maintaining same or (II) prudent institutional lenders (including, without limitation, investment banks) to such owners are generally requiring that such owners maintain such insurance.

(c) If the Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt notice of such damage to Lender and shall promptly commence and diligently prosecute the completion of the repair and restoration of the Property as nearly as possible to the condition the Property was in immediately prior to such fire or other casualty, with such alterations as may be approved by Lender (the "**Restoration**") and otherwise in accordance with Section 4.4 of this Security Instrument. Borrower shall pay all costs of such Restoration whether or not such costs are covered by insurance. In case of loss covered by Policies, Lender may either (1) settle and adjust any claim, or (2) allow Borrower to agree with the insurance company or companies on the amount to be paid upon the loss; provided, that (A) provided no Event of Default shall have occurred and be continuing, Borrower may adjust losses aggregating not in excess of the Threshold Amount (defined below) if such adjustment is carried out in a competent and timely manner and (B) if no Event of Default shall have occurred and be continuing, Lender shall not settle or adjust any such claim under clause (1), above, without the consent of Borrower, which consent shall not be unreasonably withheld or delayed. In any case Lender shall and is hereby authorized to collect and receipt for any such insurance proceeds; and the reasonable expenses incurred by Lender in the adjustment and collection of insurance proceeds shall become part of the Debt and be secured hereby and shall be reimbursed by Borrower to Lender upon demand.

FLOOD INSURANCE. After Lender's request, Borrower shall deliver evidence satisfactory to Lender that no portion of the Improvements is situated in a federally designated "special flood hazard area." or, if any of the Improvements are located within any such area Borrower will obtain and maintain the insurance required prescribed in Section 3.3 hereof, if required under the terms of that section.

EXHIBIT C-2

Loan Document Requirements Re: Condemnation

Borrower shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding affecting the Land and/or the Improvements and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Lender is hereby irrevocably appointed as Borrower's attorney in fact coupled with an interest, with exclusive powers to collect, receive and apply to the Debt (or provide to Borrower to pay for Restoration) any award or payment for any taking accomplished through a condemnation or eminent domain proceeding and, at any time during which an Event of Default has occurred and is continuing, to make any compromise or settlement in connection therewith. All condemnation awards or proceeds shall be either (a) paid to Lender for application against the Debt or (b) applied to Restoration of the Property in accordance with Section 4.4 hereof. Notwithstanding any taking by any public or quasi public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Security Instrument and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein or in the Note. Any award or payment to be applied to the reduction or discharge of the Debt or any portion thereof may be so applied whether or not the Debt or such portion thereof is then due and payable. If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the award or payment, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been or may be sought, recovered or denied, to receive the award or payment, or a portion thereof sufficient to pay the unpaid portion of the Debt.

Notwithstanding anything contained in this Section 3.6 or this Security Instrument to the contrary, but subject to the provisions of Section 4.4, below, Lender may elect to (y) apply the net proceeds of any condemnation award (after deduction of Lender's reasonable costs and expenses, if any, in collecting the same) in reduction of the Debt in such order and manner as Lender may elect, whether due or not, or (z) make the proceeds available to Borrower for the restoration or repair of the Property. Any implied covenant in this Security Instrument restricting the right of Lender to make such an election is waived by Borrower. In addition, Borrower hereby waives the provisions of any law prohibiting Lender from making such an election.

EXHIBIT C-3

RESTORATION AFTER CASUALTY/CONDEMNATION.

In the event of a casualty or a taking by eminent domain, the following provisions shall apply in connection with the Restoration of the Property:

(d) If the Net Proceeds (defined below) shall be less than the Threshold Amount (defined below) and the costs of completing the Restoration shall be less than the Threshold Amount, the Net Proceeds will be disbursed by Lender to Borrower upon receipt, provided that all of the conditions set forth in Subsection 4.4(b)(i) are met and Borrower delivers to Lender a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Security Instrument. As used herein, the term "**Threshold Amount**" shall mean (i) for any period that the Sponsorship Condition (defined below) remains satisfied, an amount equal to seven percent (7%) of the original aggregate principal amount of the Loan and (ii) for any period that the Sponsorship Condition is not satisfied, an amount equal to five percent (5%) of the original aggregate principal amount of the Loan. As used herein, the term "**Sponsorship Condition**" shall mean a condition which shall be deemed satisfied so long as Sponsor owns a 51% direct and/or indirect interest in Borrower and Controls Borrower.

(e) If the Net Proceeds are equal to or greater than the Threshold Amount or the costs of completing the Restoration is equal to or greater than the Threshold Amount, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Subsection 4.4(b); provided, that, with the exception of Section 4.4(b)(i), the following subsections of this Section 4.4(b) shall not be deemed to apply to any Net Proceeds to be disbursed pursuant to Section 4.4(a) above. The term "**Net Proceeds**" for purposes of this Section 4.4 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Subsection 3.3(a)(i), (iii), (iv) and (ix) of this Security Instrument as a result of such damage or destruction, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same or (ii) the net amount of all awards and payments received by Lender with respect to a taking referenced in Section 3.6 of this Security Instrument, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting the same, whichever the case may be.

(i) The Net Proceeds shall be made available to Borrower for the Restoration provided that each of the following conditions are met: (A) no Event of Default shall have occurred and be continuing under the Note, this Security Instrument or any of the other Loan Documents or an event which after the passage of time or the giving of notice would constitute an Event of Default; (B) Borrower shall deliver or cause to be delivered to Lender a signed detailed budget approved in writing by Borrower's architect or engineer stating the entire cost of completing the Restoration, reasonably satisfactory to Lender; (C) the Net Proceeds together with any cash or cash equivalent deposited by Borrower with Lender are sufficient in Lender's reasonable discretion to cover the cost of the Restoration; (D) Borrower shall deliver to Lender, at its expense, the proceeds of the insurance described in Subsection 3.3(a)(ii) hereof (which such proceeds shall be held and disbursed in accordance with Subsection 3.3(a)(ii) hereof); (E)

Borrower shall commence the Restoration as soon as reasonably practicable and shall diligently pursue the same to satisfactory completion; (F) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note at the Applicable Interest Rate (as defined in the Note), which will be incurred with respect to the Property as a result of the occurrence of any such fire or other casualty or taking, whichever the case may be, will be covered out of (1) the Net Proceeds, (2) the insurance coverage referred to in Subsection 3.3(a)(ii), if applicable, or (3) by other funds of Borrower which are deposited with Lender prior to the commencement of the Restoration; (G) Lender shall be satisfied that, upon the completion of the Restoration and following a rent-up period from the time such Restoration is complete through the date which is three (3) months prior to the expiration of the rental loss insurance coverage maintained by Borrower pursuant to Section 3.3(a)(ii) above, the (1) fair market value of the Property, as reasonably determined by Lender, is equal to or greater than the fair market value of the Property immediately prior to the casualty or condemnation, and (2) gross cash flow and the net cash flow of the Property will be restored to a level sufficient to cover all carrying costs and operating expenses of the Property, including, without limitation, a Debt Service Coverage Ratio of at least 1.00 to 1,00; (H) Lender shall be reasonably satisfied that the Restoration will be completed on or before the earliest to occur of (1) six (6) months prior to the Maturity Date (as defined in the Note), (2) one (1) year after the occurrence of such fire or other casualty or taking, whichever the case may be, or (3) such time as may be required under (I) the Property Documents and (II) applicable zoning laws, ordinances, rules or regulations in order to repair and restore the Property to the condition it was in immediately prior to such fire or other casualty or to as nearly as possible the condition it was in immediately prior to such taking, as applicable; (I) the Property and the use thereof after the Restoration will be in compliance with and permitted under (I) the Property Documents and (II) all applicable zoning laws, ordinances, rules and regulations; (J) the Restoration shall be done and completed by Borrower in an expeditious and diligent fashion and in compliance with (I) the Property Documents and (II) all applicable governmental laws, rules and regulations (including, without limitation, all applicable Environmental Laws (defined below)); (K) such fire or other casualty or taking, as applicable, does not result in a loss of access to the Property or the Improvements which will exist following Restoration; (L) (1) in the event the Net Proceeds are insurance proceeds, less than thirty-five percent (35%) of each of (i) fair market value of the Property as reasonably determined by Lender, and (ii) rentable area of the Property has been damaged, destroyed or rendered unusable as a result of a casualty or (2) in the event the Net Proceeds are condemnation proceeds, less than fifteen percent (15%) of each of (i) the fair market value of the Property as reasonably determined by Lender and (ii) rentable area of the Property is taken and such land is located along the perimeter or periphery of the Property; (M) the Required Leases (defined below) shall remain in full force and effect during and after the completion of the Restoration and (N) the Property Documents will remain in full force and effect during and after the Restoration and a Property Document Event shall not occur as a result of the applicable casualty, condemnation and/or Restoration. Lender agrees to use due diligence and good faith efforts to process its determination of Borrower's compliance with the requirements of this Paragraph 4.4(b)(i) as promptly as possible, recognizing the need for a quick determination in order to avoid delay in Restoration of the Property. As used above, the term "**Required Leases**" shall mean Leases encumbering, in the aggregate, 65% of the rentable square footage at the Property.

(ii) The Net Proceeds shall be held by Lender, and until disbursed in accordance with the provisions of this Subsection 4.4(b), shall constitute additional security for the Obligations. The Net Proceeds shall be disbursed by Lender to, or as directed by, Borrower on a monthly basis during the course of the Restoration, upon receipt of evidence reasonably satisfactory to Lender that (A) all materials installed and work and labor performed to date (except to the extent that they are to be paid for out of the requested disbursement) in connection with the Restoration have been paid for in full, and (B) there exist no notices of pendency, stop orders, mechanic's or materialmen's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the Property (other than items being disputed by Borrower in accordance with Borrower's contest rights contained in Section 3.12 hereof) arising out of the Restoration which have not either been fully bonded to the reasonable satisfaction of Lender and discharged of record or in the alternative fully insured to the reasonable satisfaction of Lender by the title company insuring the lien of this Security Instrument.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior reasonable review and acceptance in all respects by Lender and by an independent consulting engineer selected by Lender (the "**Casualty Consultant**"). Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to prior reasonable review and acceptance by Lender and the Casualty Consultant. All reasonable costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration including, without limitation, the Casualty Consultant's fees, shall be paid by Borrower. Lender shall not require Borrower to pay attorney's fees and expenses in connection therewith unless such process involves unusual circumstances that cannot reasonably be handled by Lender (or its Servicer) in-house and which otherwise reasonably justify the need for counsel.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds under this Subsection 4.4(b) in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Casualty Consultant, minus the Casualty Retainage. The term "**Casualty Retainage**" as used in this Subsection 4.4(b) shall mean an amount equal to 10% of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant, until such time as the Casualty Consultant certifies to Lender that 50% of the required Restoration has been completed. There shall be no Casualty Retainage with respect to costs actually incurred by Borrower for work in place in completing the last 50% of the required Restoration. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Subsection 4.4(b), be less than the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.4(b) and that all approvals necessary for the re occupancy and use of the Property have been obtained from all appropriate governmental and quasi governmental authorities, and Lender receives evidence reasonably satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage, provided, however, that Lender will release the portion of the Casualty Retainage

being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Casualty Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, and the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company insuring the lien of this Security Instrument. If required by Lender, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender, be sufficient to pay in full the balance of the costs which are estimated by the Casualty Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "**Net Proceeds Deficiency**") with Lender in an interest-bearing account before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Subsection 4.4(b) shall constitute additional security for the Obligations.

(vii) With respect to Restorations related to casualties, the excess, if any, of the Net Proceeds, and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.4(b), and the receipt by Lender of evidence reasonably satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Security Instrument or any of the other Loan Documents.

(f) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Subsection 4.4(b)(vii) may, at Lender's election, be retained and applied by Lender toward the payment of the principal balance of the Debt whether or not then due and payable, either in whole or in part, or disbursed to Borrower. If Lender shall receive and retain Net Proceeds, as permitted above, the lien of this Security Instrument shall be reduced only by the amount thereof received and retained by Lender and actually applied by Lender in reduction of the Debt. Notwithstanding the foregoing, if Lender does not make the Net Proceeds available for Restoration, Lender shall allow Borrower to prepay the Debt in whole (but not in part) at par, without penalty or premium, provided, that, (A) such prepayment is made by Borrower by no later than the date which is sixty (60) days prior to the expiration of the rental loss insurance coverage maintained by Borrower pursuant to Section 3.3(a)(ii) above, (B) no Event of Default is continuing and (C) if such prepayment is made on a date other than a Monthly Payment Date, Borrower pays Lender, concurrently with such

prepayment, a sum equal to the amount of interest which would have accrued on the Note if such prepayment had occurred on the next occurring Monthly Payment Date.

OUTRIGGER HOTELS HAWAII

HOTEL MANAGEMENT AGREEMENT

EMBASSY SUITES™ - WAIKIKI BEACH WALK™ HOTEL

THIS AGREEMENT is made effective as of January 10, 2006 (the "**Commencement Date**"), by and between **EBW Hotel LLC,** a Hawaii limited liability company ("**EBW**"), **Waikele Venture Holdings, LLC,** a Delaware limited liability company ("**Waikele**"), **Broadway 225 Sorrento Holdings, LLC**, a Delaware limited liability company ("**Sorrento**"), and **Broadway 225 Stonecrest Holdings, LLC,** a Delaware limited liability company ("**Stonecrest**"), as tenants-in-common (EBW, Waikele, Sorrento and Stonecrest being collectively called, "**Owner**"), and **Outrigger Hotels Hawaii,** a Hawaii limited partnership, doing business as Outrigger Hotels & Resorts ("**Operator**").

BACKGROUND

The entities comprising Owner are the owners, as tenants-in-common pursuant to that certain Tenancy-In-Common Agreement dated of even date herewith, of the hotel that is under construction in the **Hotel Apartment** of the condominium property regime known as "**Beach Walk**," as more specifically described in the Declaration of Condominium Property Regime, Bylaws, and Condominium Map (the "**Condominium Documents**") for Beach Walk, which Hotel Apartment and Condominium Documents are more particularly described in Exhibit A attached hereto and made a part hereof. Such Hotel Apartment, together with all improvements located or to be located therein or appurtenant thereto, and all entrances, exits, rights of ingress and egress, easements and appurtenances related thereto, including the front desk and the non-exclusive license in favor of the Hotel Apartment to use the Parking Facility described in the Condominium Documents, are called the "**Hotel**." Owner desires to delegate to Operator control and discretion, upon the terms and conditions set forth in this Agreement, (a) in the development, constructing, furnishing, equipping and decorating of the Hotel, and (b) in the marketing, operation, and management of the Hotel, and Operator desires to assume such control and discretion upon the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, Owner and Operator hereby agree as follows:

ARTICLE 1

DEFINITIONS

Definitions. As used in this Agreement the following terms and phrases are either defined below or defined where indicated. For the purposes of interpreting this Agreement, terms appearing in initial capital letters shall have the meaning as defined herein. These same words appearing in lower case shall have their normal meaning in common parlance.

1.1 "**Affiliate**" means, when used with reference to a specified Person, (a) any Person that directly or indirectly controls or is controlled by or is under common control with the specified Person; (b) any Person that directly or indirectly is the beneficial owner or possesses voting power of fifty percent (50%) or more (directly or indirectly) of any class of equity securities of the specified Person; or (c) any Person, of which the specified Person is directly or indirectly the beneficial owner or possesses voting power of fifty percent (50%) or more of any class of equity securities.

1.2 "**Agency Accounts**" is defined in Section 6.1.

1.3 "**Annual Capital Budget**" is defined in Section 9.1.

1.4 "**Annual Operating Budget**" is defined in Section 9.1.

1.5 "**Annual Budgets**" means the Annual Capital Budget and the Annual Operating Budget.

1.6 "**Annual Financial Statement**" is defined in Section 9.2.

1.7 "**Business Day**" means any day other than Saturday, Sunday, any day that is a legal holiday in the State of California or Hawaii, or any other day on which banking institutions in California or Hawaii are authorized to close.

1.8 "**Chain Services**" is defined in Section 4.1.

1.9 "**Commencement Date**" is defined in the first paragraph of this Agreement.

1.10 "**Construction Budget**" means the budget for the development and construction of the Hotel setting forth all of the anticipated costs and expenses for development, design, construction and financing, as set forth in Exhibit D attached hereto and in that certain Waikiki Beach Walk Cash Flow: Hotel, dated June 27, 2005, both of which have been approved by Owner and Operator, and as may be amended from time to time, subject to Section 3.2.5.

1.11 "**Construction Contract**" means that certain Construction Contract dated May 3, 2005, by and between Outrigger Hotels Hawaii, as Owner, and Charles Pankow Builders, Ltd., as contractor, as the same has been or may be amended from time to time.

1.12 "**Construction Loan**" is defined in Section 3.1.1.

1.13 "**Construction Plans**" means those certain plans and specifications listed in Waikiki Beach Walk Hotel – Guestroom Renovations dated April 18, 2005, and Addendum #1 dated April 28, 2005, pursuant to which the improvements of the Hotel are being constructed.

1.14 "**Construction Schedule**" means those certain Embassy Suites Construction Schedules dated October 5, 2005 and October 10, 2005.

1.15 "**Expiration Date**" is defined in Section 2.3.

1.16 "**Extension Period**" is defined in Section 2.1.

1.17 "**Fiscal Year**" means each calendar year during the Term and shall include any and all full and partial Fiscal Years.

1.18 "**FF&E**" means the furniture, fixtures and equipment used or to be used in the operation of the Hotel, and shall include guest room, corridor, lobby furnishings, office furniture and equipment, appliances, art work, carpeting, computers (excluding proprietary computer systems or software used in connection with the Hotel and either owned by Operator or owned by third parties and licensed to Operator, including the "JD Edwards" software program, systems or software that comprise the "Reservation Service," as such term is defined in the Franchise Agreement, and such other software program(s) that Operator may be licensed to use at the Hotel), electronic data processors, telephones, televisions, radios, signs and vehicles.

1.19 "**Force Majeure**" is defined in Section 24.3.1.

1.20 "**Franchise Agreement**" means that certain Franchise License Agreement dated January 25, 2005, under which Franchisor, as Licensor, granted a license to Operator, as Licensee, to operate the Hotel under the name, "Embassy Suites - Waikiki Beach Walk," as assigned to and assumed by ESW LLC, a Hawaii limited liability company, and amended pursuant to that certain Assignment and Assumption of, and Amendment to, License Agreement dated as of December 15, 2005, and as further assigned to and assumed by (or intended to be assigned to and assumed by) Owner.

1.21 "**Franchisor**" means Promus Hotels, Inc., a Delaware corporation, Licensor under the Franchise Agreement.

1.22 "**Gross Operating Profit**" is defined in Section 5.3.

1.23 "**Gross Revenues**" is defined in Section 5.2.

1.24 "**Hotel**" is defined in the Preamble.

1.25 "**Hotel Employees**" is defined in Section 3.3.

1.26 "**Hotel Expense**" is defined in Section 8.1.

1.27 "**Including**" means "including without limitation," unless otherwise expressly provided.

1.28 "**Initial Term**" is defined in Section 2.1.

1.29 "**Land**" is defined in the Preamble.

1.30 "**Management Fee**" is described in Section 5.1.

1.31 "**Minimum Working Capital Amount**" is defined in Section 7.1.

1.32 "**Monthly Financial Statements**" is defined in Section 9.2.

1.33 "**Owner's Expense**" means any and all costs and expenses incurred by Owner or by Operator, for and on behalf of Owner, under this Agreement and for Owner's account and at Owner's separate expense to be paid by Owner from Owner's own funds (a) from the Agency Accounts, but only if and to the extent there are available funds after Gross Operating Profit has been determined and Management Fees, debt service and Hotel Expenses have been paid, or (b) on a cash basis from Owner.

1.34 "**Person**" means any individual, partnership, limited liability partnership or company, corporation, trust, estate, association, governmental agency, regulatory authority or other entity of any kind or nature whatsoever.

1.35 "**Prime Rate**" means the rate of interest reported in The Wall Street Journal as the "Prime Rate" in its general guide to money rates and described as the base rate on corporate loans at large U.S. money center commercial banks, it being understood that such rate is a reference rate, not necessarily the lowest, which serves as the basis upon which effective rates of interest are calculated for obligations making reference thereto. In the event this rate is reported as a range of rates, the rate used for purposes of this Agreement shall be the highest rate reported. In the event the interest rate index stated above ceases to be available, Operator may substitute any similar index, whether or not reported in The Wall Street Journal, and Operator's selection shall be conclusive and binding on Owner. In such event, and until Operator selects a substitute index, interest shall accrue at the rate in effect at the time the index was determined to be unavailable.

1.36 "**Reserve Fund**" is defined in Section 10.1.

1.37 "**Term**" is defined in Section 2.3.

1.38 "**Trademark License Agreement**" means that certain Trademark License Agreement dated as of December 15, 2005, by and between Outrigger Hotels Hawaii, as Licensor, and ESW LLC, as Licensee, which is being assigned by ESW LLC to Owner, and assumed by Owner, concurrently with this Agreement.

1.39 "**Working Capital**" is defined in Section 7.1.

ARTICLE 2

TERM

2.1 Initial Term. The initial term of this Agreement ("**Initial Term**") shall be for a period of one (1) year, commencing as of the Commencement Date, unless this Agreement is sooner terminated or extended in accordance with the provisions hereof.

2.2 Extension Periods. The Term of this Agreement shall be renewable annually. Unless any Owner or Operator has provided written notice to the other party, at least six (6) months prior to the date upon which the Term then in force would otherwise expire, of the notifying party's election not to extend the Term, such Term then in force shall be extended by a period of one (1) year (each, an "**Extension Period**"). The Term, with all Extension Periods,

shall not exceed twenty-five (25) years without the express, written and unanimous consent of all entities comprising Owner and of Operator.

2.3 Term. The "**Term**" of this Agreement shall be the Initial Term and any and all Extension Periods that the parties have elected to exercise. The "**Expiration Date**" shall occur on the expiration of the Term.

ARTICLE 3

OPERATION OF HOTEL BY OPERATOR

3.1 Operator's Authority. Owner engages Operator to be the sole and exclusive operator and manager of the Hotel upon the terms and conditions of this Agreement. Except as otherwise provided in this Agreement, and subject to Section 3.2 and the approved Annual Budgets, Operator shall have absolute control and discretion: (a) in the development, constructing, furnishing, equipping and decorating of the Hotel, and (b) in the marketing, operation, and management of the Hotel, including the following:

3.1.1 endeavor to obtain or cause to be obtained any permits or approvals necessary for the Hotel from time to time; to cause the completion of construction, furnishing and equipping of the Hotel in accordance with the Construction Schedule, the Construction Plans, the Construction Budget, and all applicable building and other governmental permits; to furnish the Hotel in conformity with the Construction Budget; to obtain financing for the development, construction, furnishing and equipping of the Hotel (the "**Construction Loan**"), substantially in accordance with the terms, provisions, and conditions set forth in that certain "Embassy Suites Hotel Conversion, Summary of Terms & Conditions" dated October 2, 2005, prepared by the construction lender; to cause the Hotel to open in accordance with the Construction Schedule; to administer and implement, as Owner's agent, development and construction-related contracts and agreements in existence as of the Commencement Date, at the expense of Owner, including (i) the Construction Contract; (ii) that certain Turnkey Agreement dated as of April 4, 2005, between ABW Lewers LLC and ESW LLC, which was assigned by ESW LLC to Owner (the "**Turnkey Agreement**"); and (iii) that certain Reimbursement Agreement dated as of April 4,2005, between ABW Lewers LLC and ESW LLC, which was assigned by ESW LLC to Owner (the "**Reimbursement Agreement**"); pursuant to which agreements ABW Lewers LLC is constructing certain improvements on behalf of Owner and the Hotel.

3.1.2 except as otherwise set forth in this Section 3.1, the right, authority and power, either by itself or as part of an association, to administer and implement, as Owner's agent, contracts, leases and agreements relating to the Hotel in existence as of the Commencement Date, including Owner's obligations as a member of, and under, that certain WBW CHP, LLC Limited Liability Operating Agreement dated as of December 15, 2005, pursuant to which ABW Lewers LLC is constructing, on behalf of WBW CHP, LLC, a chilled water system that will service the Hotel, at the expense of Owner; provided, however, that Operator may accept contracts or reservations for the use of guest rooms, banquet facilities, or meeting rooms or other facilities at the Hotel, including all individual, group and corporate contracts or reservations and airline crew reservation contracts, regardless of whether secured by

deposits. Owner hereby agrees to execute any such contracts, leases, or agreements upon the request of Operator;

3.1.3 the right, authority and power to determine the terms of admittance, charges for rooms and charges for entertainment (which rights specifically allow Operator to charge varying rates to different customers or groups of customers and allow Operator, in its discretion, to permit persons to occupy rooms or suites at the Hotel at rates lower than published rates or free of charge), credit policies (including arrangements with credit card organizations, catering operations, etc.) and all phases of advertising, promotion and publicity relating to the Hotel;

3.1.4 subject to the provisions of Section 3.3 (Hotel Employees), the right, authority and power to determine labor policies (including wage rates, the hiring and discharging of employees, and the installation of employee retirement or other benefit plans) and, at Operator's discretion, to enroll Hotel Employees in such pension, medical, health, life insurance and similar employee benefit plans which are customary in the industry and otherwise available to employees of other hotels operated by Operator or its Affiliates. Such plans may be joint plans for the benefit of employees at more than one hotel operated by Operator or its Affiliates, in which case employer contributions to such plans, along with reasonable administrative expenses incurred in connection therewith, will be Hotel Expenses. Operator will equitably apportion the administrative expenses of any joint plans among the properties covered thereby; and

3.1.5 the right to purchase and contract for goods, supplies and services (including Chain Services) for the Hotel from Operator or any of Operator's Affiliates so long as the prices, terms and quality of goods, supplies and/or services rendered are competitive with the prices, terms and quality of goods, supplies and/or services otherwise available if Operator were to negotiate for such goods, supplies and/or services on an arm's length basis from unrelated third party providers. Operator may negotiate itself or may pay to an Affiliate a fee for the negotiation of contracts for the direct purchase from independent suppliers of goods, supplies and/or services so long as the prices and terms for such goods, supplies and/or services when added to such fee are competitive with the prices and terms for goods, supplies and/or services of equal quality available from unrelated third parties. All costs incurred by Operator or its Affiliates under this Section are to be charged to the operation of the Hotel on the same basis as charged to the operation of other hotels owned or operated by Operator or its Affiliates.

3.2 Limitation on Operator's Authority. The provisions of Section 3.1 (Operator's Authority) are subject to Owner's right to approve (including by approval of the Annual Budgets, provided that approval of any Annual Budget shall not constitute Owner's approval of any item hereunder unless such Annual Budget identifies any such item with sufficient particularity) the following:

3.2.1 legal proceedings in connection with the Hotel that do not result from the ordinary course of Hotel operations;

3.2.2 approval of the Annual Budgets in accordance with Section 9.1;

3.2.3 any sale, lease or re-lease of all or any portion of the Hotel (other than space licenses or concessions (or similar arrangements, if any), and rentals (hiring) of guest rooms in the normal course of business of the Hotel);

3.2.4 any negotiation, re-negotiation, and approval of any indebtedness secured by any mortgage, deed of trust, or other blanket lien recorded against the entire Hotel;

3.2.5 the making of any material change to the Construction Plans, including any material change that materially affects the design, cost, value or quality of the improvements of the Hotel as shown on the Construction Plans. For purposes of this paragraph, a change that materially affects the cost of the improvements of the Hotel means any change of greater than $750,000 (in the aggregate with all such changes relating to the same subject matter) from the amounts set forth in the Construction Budget;

3.2.6 use of cash receipts for the repayment of any indebtedness in excess of regularly scheduled debt service payments or payments required under loan documents executed and delivered with regard to the Hotel;

3.2.7 entering into any contract on behalf of the Hotel or causing Owner to be obligated for any obligation which, in the aggregate with all contracts relating to the same subject matter, is greater than $750,000, unless such contract or obligation is approved in the Annual Budgets or is otherwise a Hotel Expense permitted under Section 9.1.1; and

3.2.8 the purchase and/or contract for goods, supplies and services (including Chain Services) for the Hotel from Operator or any of Operator's Affiliates if (a) the prices, terms and quality of goods, supplies and/or services rendered are not competitive with the prices, terms and quality of goods, supplies and/or services otherwise available if Operator were to negotiate for such goods, supplies and/or services on an arm's length basis from unrelated third party providers, and (b) such purchase and/or contract for goods, supplies and services is not otherwise approved by Owner through the Annual Budgets.

3.3 Hotel Employees. During the Term, all personnel regularly employed at the Hotel, including the general manager, who shall report to Operator and not Owner (collectively, the "**Hotel Employees**"), shall remain the employees of Operator; provided, however, that Owner shall pay for all of the costs of employment of the Employees during the Term ("**Wages and Benefits**"), including:

3.3.1 wages; salaries; bonuses; benefits or rights granted to the Employees, whether under the terms of any pension, profit sharing, employee benefit and similar plans, if any, applicable to the Employees, or any existing employment or consulting contract with regard to the Employees;

3.3.2 the employer's portion of social security taxes, employer unemployment insurance contributions and assessments;

3.3.3 workers' compensation insurance;

3.3.4 TDI insurance;

3.3.5 prepaid healthcare; vacation and sick leave pay; and

3.3.6 employee benefit plan contributions earned by the Employees for service during the Term.

Owner shall also pay to Operator, together with the Wages and Benefits, general excise tax imposed thereon. Operator shall have the right during the Term to direct, supervise, train and assign work schedules, duties and assignments to the Hotel Employees in connection with the operation of the Hotel.

3.4 Standard of Operation. Operator shall operate the Hotel during the Term as a first class hotel and shall provide or cause to be provided all amenities in connection therewith. Owner and Operator acknowledge that the operation of the Hotel shall be as a first class hotel if such operation complies with the building standard required under the Trademark License Agreement and the standards specified in the Manual described in the Franchise Agreement.

ARTICLE 4

CHAIN SERVICES

4.1 Chain Services Generally. The Management Fee covers Operator's basic operation and management of the Hotel. Operator agrees to make available to Owner specialized services for marketing, reservations, information technology, accounting, human resources and purchasing (the "**Chain Services**"). The cost for the Chain Services shall be paid for by Owner in accordance with the Annual Operating Budget, and Operator shall, upon request by Owner in connection with any Annual Operating Budget review process, provide to Owner details, including methodology, used to calculate the costs for the Chain Services reflected in any such Annual Operating Budget.

4.2 Payment for Chain Services. On the fifth (5th) day of each calendar month during the Term and on the fifth (5th) day of the calendar month immediately following the end of the Term, all fees and expenses for Chain Services provided by Operator, together with general excise tax imposed thereon, if any, for the preceding calendar month as then estimated by Operator shall be paid by Owner. If such estimated amounts paid to Operator prove to be different from the amounts shown on the Monthly Financial Statement subsequently delivered by Operator to Owner, the installments for that month shall be recomputed on the basis of such statement and appropriate adjustments shall be made in the estimated amount due for the next succeeding month(s).

ARTICLE 5

OPERATOR'S FEES

5.1 Management Fees. During the Term, Operator shall be paid, in respect of its management services hereunder, a "**Management Fee**" comprising the following:

5.1.1 commencing from and after the date on which Franchisor under the Franchise Agreement authorizes Licensee to open for business ("Open") or, if Licensee has not

fully complied with the terms of the Franchise Agreement, to conditionally open for business ("Conditional Opening"), and to make available the facilities, guest rooms or services of the Hotel under the Licensed Brand, "Embassy Suites™" (such date being defined as the "Opening Date" under the Franchise Agreement), and continuing throughout the Term, the amount of **three percent (3%)** of Gross Revenues during the Term, payable monthly as set forth in Section 5.4 (Payments to Operator); and

5.1.2 commencing from and after the earlier to occur of the Opening Date or the date of Conditional Opening (as such terms are defined in the Franchise Agreement) and continuing throughout the Term, **six percent (6%)** of Gross Operating Profit, payable monthly as set forth in Section 5.4 (Payments to Operator);

provided however, that the sum of the payments under Sections 5.1.1 and 5.1.2, for any Fiscal Year (or portion thereof), shall not exceed three and one-half percent (3.5%) of Gross Revenues for such Fiscal Year (or portion thereof) during the Term.

5.2 Gross Revenues. As used in this Agreement, "**Gross Revenues**" means all revenues and income of any kind derived directly or indirectly from the operation of the Hotel, whether on a cash basis or on credit, paid or unpaid, collected or uncollected, determined in accordance with generally accepted hotel accounting principles applied on a basis consistent with those of the preceding year, excluding, however:

5.2.1 federal, state and municipal excise, sales and use taxes collected directly from patrons or guests or as a part of the sales price of any goods, services or displays, such as transient accommodations, gross receipts, admission, cabaret or similar or equivalent taxes;

5.2.2 proceeds of claims under any insurance policies, except for proceeds under any business interruption insurance;

5.2.3 gains arising from the sale or other disposition of capital assets;

5.2.4 any tax refunds or reversal of any contingency or tax reserves;

5.2.5 any proceeds from sales of any of Owner's real or personal property, including any proceeds resulting from condemnation proceedings or the threat of condemnation;

5.2.6 gratuities collected and retained by Hotel Employees or paid to the Hotel for distribution to such employees;

5.2.7 delivery charges billed to and collected from customers at cost;

5.2.8 complimentary rooms authorized by Operator and given to speakers, dignitaries, the general manager, Hotel Employees, Owner, travel agents or anyone else;

5.2.9 revenues collected by Operator that are part of a package or plan, such as a car package or meal plan, and that are credited to or paid to a third party; and

5.2.10 revenues from the Parking Facility as described in the Condominium Documents.

5.3 Gross Operating Profit. As used in this Agreement, "**Gross Operating Profit**" means Income Before Management Fees and Fixed Charges, which is determined by deducting Hotel Expenses from Gross Revenues. The term, "Income Before Management Fees and Fixed Charges," is defined in A Uniform System of Accounts for Hotels, Ninth Revised Edition.

5.4 Payments to Operator. On the fifth (5th) day of each calendar month, Operator shall be paid the Management Fee specified in Section 5.1 for the preceding calendar month as then reasonably estimated by Operator and disclosed to Owner, along with any amounts due Operator under ARTICLE 3 (Operation of Hotel by Operator) and ARTICLE 4 (Chain Services). If the estimated amounts paid to Operator shall prove to be different from the amounts shown on the Monthly Financial Statement subsequently delivered by Operator to Owner, the Management Fee for the month for which it was paid shall be recomputed on the basis of the amounts so shown and appropriate adjustments shall be made (without consideration of interest on any overpayment or underpayment) in the amount of the Management Fee otherwise due for the next succeeding month (or months, if necessary).

ARTICLE 6

BANK ACCOUNTS AND CASH DISBURSEMENTS

6.1 Possession of Funds. Subject to this Agreement, Operator, as agent of Owner, shall have possession and control of the Gross Revenues and all other funds utilized in the Hotel's operation. All funds received by Operator in the operation of the Hotel, including Working Capital provided by Owner, shall be deposited in one or more accounts ("**Agency Accounts**") with Bank of Hawaii or such other federally insured bank depository as Operator may from time to time select with Owner's approval, which approval shall not unreasonably be withheld or delayed.

6.2 Risk of Loss. Owner shall bear all losses resulting from any failure or insolvency of the bank, trust company or other financial institution in which the Agency Accounts or the investments authorized by Section 6.1 are maintained. Upon the termination of this Agreement, and the payment to Operator of all amounts due Operator upon such termination, all remaining amounts in the Agency Accounts to which Owner is entitled shall be transferred to Owner.

6.3 Distribution of Funds to Owner. After adequate Working Capital reserves have been provided in accordance with ARTICLE 7, Operator shall, on the twentieth (20th) day of each calendar month during the Term, pay to Owner any remaining surplus funds and accrued interest, if any, thereon that are not required for current obligations.

ARTICLE 7

WORKING CAPITAL

7.1 Owner to Provide Working Capital. Owner shall provide Operator at all times with cash sufficient in Operator's opinion to finance and support the uninterrupted and efficient

operation of the Hotel from time to time and the performance by Operator of its obligations under this Agreement ("**Working Capital**"), which amount should at any time approximate Five Hundred Thousand Dollars ($500,000.00) ("**Minimum Working Capital Amount**"). Operator acknowledges that, as of the date of this Agreement, Owner has delivered to Operator an amount equal to the Minimum Working Capital Amount, and Owner agrees that Operator may use the same as Working Capital in accordance with the Annual Operating Budget and the provisions of this Agreement. At no time during the Term shall the amount of Working Capital available to Operator be less than the Minimum Working Capital Amount. Under no circumstances shall Operator be obligated to provide its own funds for the operation of the Hotel.

7.2 Additional Working Capital. If the operation of the Hotel requires the infusion of Working Capital in addition to that which is available in the Agency Accounts, Owner shall procure and deliver to Operator, within ten (10) Business Days after receiving notice from Operator of the need therefor, such additional funds as are required to finance and support the uninterrupted and efficient operation of the Hotel. In the event Owner fails to pay such additional funds, Operator may, at Operator's sole discretion, advance such additional funds, whereupon Owner shall pay to Operator from Owner's own funds and not as a Hotel Expense, commencing as of the first day on which Operator advances such funds and ending on the date on which Owner repays to Operator funds advanced by Operator, interest on the delinquent amount at a rate equal to four (4) percentage points above the Prime Rate.

ARTICLE 8

EXPENSES

8.1 Expenses of Owner. Unless this Agreement expressly provides for an item or service to be at Operator's own expense, all costs and expenses incurred by Operator in the performance of Operator's obligations under this Agreement shall be for and on behalf of Owner and for its account, and each of the same shall be a "**Hotel Expense**," except as and to the extent this Agreement provides expressly for any of them to be at Owner's separate expense to be paid by Owner from Owner's own funds on a cash basis and not from the Agency Accounts.

8.2 Owner's Debts and Liabilities. All debts and liabilities incurred with or owed to third parties by Operator on behalf of either Owner or the Hotel, in the normal course of business, and within the authority granted to Operator herein, are and shall remain the sole obligations of Owner.

8.3 Payment of Construction Costs and Use of Construction Loan Proceeds. Construction costs are Owner's Expenses that shall be paid for by Owner on a cash basis from Owner's own funds (and not from the Agency Accounts) and shall be reimbursed by Owner to Operator. Construction Loan proceeds shall be disbursed and applied as set forth in Exhibit E attached hereto and made a part hereof.

ARTICLE 9

ANNUAL BUDGETS AND FINANCIAL STATEMENTS

9.1 Annual Budgets

9.1.1 Operator shall, not later than sixty (60) days prior to the commencement of each Fiscal Year, prepare an estimate of operating revenues and expenses for the ensuing Fiscal Year ("**Annual Operating Budget**") and an estimate of capital expenses for the ensuing Fiscal Year ("**Annual Capital Budget**") (together the "**Annual Budgets**"); provided that the Annual Budgets for the first Fiscal Year shall be prepared by Operator within ninety (90) days after the Commencement Date. The Annual Budgets must be approved by Owner (which approval shall not unreasonably be withheld and shall be deemed given unless a specific written objection is delivered by any Owner to Operator within thirty (30) days after submission to Owner of each Annual Budget) and thereafter may not be exceeded without Owner's prior written approval, which approval shall not unreasonably be withheld, except that the Hotel Expenses in the Annual Operating Budget may be exceeded in the aggregate by not more than ten percent (10%) of the amount of Hotel Expenses in that Annual Operating Budget without Owner's approval.

9.1.2 Owner acknowledges that any increase in the occupancy levels of the Hotel over the levels estimated in the Annual Operating Budget during any Fiscal Year or other budgeting period may have a direct effect on and may cause a corresponding increase in the expenses of the Hotel. Owner therefore agrees that any consequential increases in expenses in the Annual Operating Budget (not to exceed ten percent (10%) in any line item of that Annual Operating Budget) which are a result of such increases in occupancy levels shall be deemed approved by Owner, and need not be submitted to Owner for approval nor will they count as increases over the previously approved budget amount, i.e., such increases will not be included as excess expenses in calculating the percentage limit set forth above. Operator shall otherwise use reasonable efforts to adhere to the Annual Budget and, if requested by Owner, Operator will hold quarterly meetings with Owner to review the results of the Hotel operations. If, between quarterly meetings, Operator finds it necessary to exceed the Annual Budget authorizations as approved and permitted herein, Operator will give notice to Owner requesting approval for such excess; such approval shall not unreasonably be withheld and shall be deemed given unless a specific written objection is delivered by any Owner to Operator within ten (10) days after submission thereof to Owner. If Owner and Operator are unable to reach agreement with respect to individual expense items in the Annual Budgets for a particular Fiscal Year, the Annual Budgets shall be implemented for such Fiscal Year with respect to expense items which are not in dispute, and expense items in dispute shall be kept at the same level of such expense items for the previous Fiscal Year, adjusted, however, by any increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers, All Items, All Urban Areas (1982-84=100) for Honolulu (the "**CPI**"), from the first day of the previous Fiscal Year. In the event Owner and Operator cannot resolve any disputed expense item, such dispute shall be resolved by the Dispute Resolution Procedures.

9.2 Financial Statements. Within twenty (20) days after the end of each calendar month during the Term, Operator shall furnish to Owner an accounting of the fees and expenses under this Agreement, which shall include a profit and loss statement and an operating cash flow statement consistent with the format attached hereto as Exhibit B and made a part hereof (the "**Monthly Financial Statement**"). Within ninety (90) days after the end of each Fiscal Year, Operator shall submit to Owner a statement of operations for the Hotel, including a profit and

loss statement, a statement of financial position and a statement of cash flow, providing a comparison of such profit and loss statement against the profit and loss statement of the Annual Operating Budget for the Fiscal Year just concluded, and, where available, the prior Fiscal Years' results (the "**Annual Financial Statement**"), along with such other financial reports and information as may be reasonably requested by Owner.

9.3 No Reliance on Projections. Owner hereby represents that in entering into this Agreement Owner has not relied, and agrees that in the future it will not rely, on any budgets, projection of earnings, statements as to the possibility of future success or other similar matter, including the Annual Budgets ("**Projections**"), which may have been or may hereafter be prepared by Operator. Owner hereby acknowledges and agrees that the Projections are good faith estimates only and that unforeseen circumstances may make adherence to the Projections impracticable, and that any use of the Projections by Owner shall be subject to this understanding.

9.4 Location and Availability of Records. The books and records of the Hotel shall be maintained at the Hotel or such other place designated by Operator and approved by Owner from time to time and shall, during regular business hours, be available for inspection and duplication by Owner and its designated representatives including, without limitation, attorneys, auditors, and accountants, at Owner's Expense.

ARTICLE 10

FF&E RESERVE FUND

10.1 Reserve Fund. Twenty (20) days after the end of each calendar month during the Operating Term, Operator shall transfer from the Agency Accounts to an account designated by Owner, an amount equal to four percent (4%) of the Gross Revenues of the Hotel for such preceding month, for the purpose of establishing a reserve fund (the "**Reserve Fund**") to pay for replacement of and additions to the FF&E in accordance with the Annual Budgets. Any proceeds from sales of FF&E shall be transferred to Owner, and all interest earned on the Reserve Fund shall accrue to the Reserve Fund; provided, however, that the Reserve Fund shall not exceed $500,000.00 at the end of any calendar month without the consent of Owner. If in any Fiscal Year the Reserve Fund is inadequate to meet FF&E expenses during such Fiscal Year, Owner shall have the obligation to make up the amount of any shortfall. Upon the termination of this Agreement, the balance of the Reserve Fund shall be paid to Owner.

ARTICLE 11

MAINTENANCE AND REPAIRS; CAPITAL EXPENDITURES

11.1 Maintenance and Repair Expenditures. To the extent sufficient Working Capital is made available and to the extent included in the Annual Budgets or otherwise approved by Owner, Operator will make such expenditures for repairs and maintenance (excluding structural or other extraordinary repairs not required to be made on an emergency basis) as it deems necessary to keep the Hotel in good operating condition.

11.2 Annual Capital Expenditures Plan. Operator shall prepare annually, for Owner's approval, a capital expenditures plan (the "**Annual Capital Budget**") outlining expenditures for replacements of FF&E and other capital expenditures deemed necessary or desirable by Operator during the ensuing Fiscal Year. Owner's consent to the Annual Capital Budget shall not unreasonably be withheld and shall be deemed given unless a specific written objection thereto is delivered by any Owner to Operator within thirty (30) days after submission thereof. Operator shall make such substitutions and replacements or renewals to FF&E as it deems necessary or desirable, up to the amount set forth in the Annual Capital Budget in effect from time to time, and to the extent sufficient funds in the Reserve Fund are available. No expenditure will be made in excess of such amount or for any other capital improvement without the approval of Owner. The FF&E component of the Annual Capital Budget prepared by Operator shall be paid for from monies held in the Reserve Fund and, where such monies are insufficient to pay for such expenditures, Owner shall pay for such shortfall with Owner's own funds.

11.3 Owner's Right to Alter/Improve Hotel. Owner may, at any time but subject to any loan requirements and the Franchise Agreement, at Owner's Expense, make such alterations or improvements in or to the Hotel as Owner and Operator shall mutually approve and as shall be included in the Annual Capital Budget. All alterations or improvements shall be made in a manner to cause the least practicable interference with the operation of the Hotel, and only in accordance with the mutually approved Annual Capital Budget. No Hotel expansion shall be undertaken or commenced by Owner without Operator's prior written reasonable approval of such expansion, including the plans, specifications, drawings, architect and contractor therefor. In the event (i) any alterations, additions or improvements, structural or nonstructural, are required to bring the Hotel into compliance with any applicable requirements under all laws, ordinances, orders, rules and regulations of authorities with jurisdiction over the Hotel ("**Governmentally Required Improvements**"); or (ii) any alterations, additions or improvements, structural or nonstructural, that are treated as "capital improvements" under generally accepted accounting principles, are required to maintain the standard of operation for the Hotel, Owner shall make such improvements from Owner's own funds on a cash basis and not from the Agency Accounts, at the earlier to occur (such earlier date being called the "**Completion Date**") of (a) a time mutually agreed to by Owner and Operator, or (b) before any litigation, action, claim or proceeding is filed against the Hotel seeking to enforce the law, ordinance, order, rule or regulation requiring such Governmentally Required Improvements. Operator and Owner shall promptly provide to the other party a copy of any notice received by Operator or Owner, as the case may be, with respect to any such threatened or actual litigation, action, claim or proceeding.

11.4 Owner's Failure to Alter/Improve Hotel in Time Required. In the event Owner fails to make Governmentally Required Improvements by the Completion Date, Operator may, at Operator's election, (a) terminate this Agreement, or (b) to make the improvements required, and in the event Operator elects to make the required improvements, Owner shall pay to Operator from Owner's own funds and not as a Hotel Expense, commencing as of the first day after the payment is due to Operator, interest on the delinquent amount at a rate equal to four (4) percentage points above the Prime Rate.

11.5 Capital Expenditures. Owner and Operator shall agree upon a person or entity, which person or entity may be Operator, to supervise and direct, in the manner and to the extent

agreed upon by Owner and Operator, the Hotel's programs of capital expenditures authorized from time to time by the provisions of this ARTICLE 11. If such person or entity is agreed to be Operator, Operator shall be entitled to receive reasonable compensation for these services as agreed upon by Owner and Operator in addition to any other amounts payable to Operator under this Agreement.

ARTICLE 12

INSURANCE

12.1 Policies to be Carried. In the name of Owner and Operator, and as a Hotel Expense (except as provided in Section 12.2), Operator shall, from and after the Commencement Date, procure and maintain in full force and effect insurance as is reasonably customary from time to time for hotels of equivalent class for the hotel industry in Hawaii, the policies of which shall be subject to Operator's and Owner's mutual approval as to form and content, including policy coverages, premiums and deductibles. Such insurance shall include the following:

12.1.1 General Liability. A policy of commercial general liability insurance with respect to the Hotel and the business conducted therein by Operator with such limits, deductibles, and coverages from time to time as a prudent businessperson would require, but in no event shall such policy be less than $10,000,000.00 per occurrence and in the aggregate for bodily and personal injury including property damage, or a combined single limit of $10,000,000.00.

12.1.2 Property Insurance. A policy of property insurance to insure against risks of direct physical loss not otherwise excluded (commonly referred to as all risk coverage that includes windstorm/hurricane) and flood. All insurance proceeds from such policy in the event of a casualty shall be deposited into an Agency Account, to be established by Owner and Operator, for the purpose of repairing, replacing and reconstructing the Hotel in accordance with this Agreement.

12.1.3 Business Personal Property Insurance. A policy of business personal property insurance to cover damage or loss to the FF&E, against risks of direct physical loss not otherwise excluded, in the full replacement cost thereof. All insurance proceeds from such policy in the event of a casualty shall be deposited into an Agency Account, to be established by Owner and Operator, for the purpose of repairing and/or replacing the FF&E in connection with the repair, replacement and reconstruction of the Hotel in accordance with this Agreement.

12.1.4 Business Income Insurance. A policy of insurance covering loss of earnings or business income, with extra expense, resulting from loss or damage by risks of direct physical loss not otherwise excluded, payable to Operator.

12.1.5 Insurance Required By Law. Such insurance or other coverage as may be required by any law, regulation, or ordinance of any federal, state, or municipal government or agency thereof, including workers' compensation, temporary disability and automobile insurance.

12.2 Insurance Not Required. Owner and Operator agree that neither Owner nor Operator will obtain insurance to cover acts of terrorism and mold infestation and that such risks,

including damage to the Hotel, are assumed by Owner; provided, however, that Owner and Operator shall endeavor, on a commercially reasonable basis, not to purchase insurance policies that expressly exclude such risks. Should Owner desire insurance to cover such risks, Owner will procure such insurance at Owner's sole cost and expense.

12.3 General.

12.3.1 Policies. All insurance policies required under this Agreement shall be in a form and written by good and responsible insurance companies authorized to do business in the State of Hawaii, holding a "General Policyholders Rating" with a minimum A.M. Best Rating of A- (as set forth in the most current issue of "Best's Insurance Guide"), and otherwise reasonably satisfactory to Owner and Operator. To the extent reasonably possible, Operator shall furnish to Owner a certificate of insurance and/or evidence of property insurance as evidence for each policy of insurance required to be maintained by Operator hereunder on or before the Commencement Date. Each certificate of insurance and/or evidence of property insurance shall contain a provision that such policy shall not be changed or canceled, nor the coverage reduced, without thirty (30) days' prior written notice to Owner, and shall evidence the existence and coverages of such insurance with loss payable clauses. All policies of insurance required to be maintained by Operator hereunder shall, to the extent permitted by law, name Owner as an additional insured. Operator reserves the right to obtain additional insurance either under a single policy or under a blanket policy with respect to any and all of the insurance requirements herein.

12.3.2 Blanket Insurance Policy. Any insurance required to be provided by Operator may be provided under policies of blanket insurance which cover other properties and activities of Operator.

12.3.3 Reports. Operator shall periodically (but in no event less frequently than annually and when insurance coverage is materially changed or modified) provide a report or reports to Owner setting forth the specific insurance, including coverage limits, procured by Operator pursuant to Section 12.1. If Owner is dissatisfied with such insurance coverage, Owner shall so advise Operator, and the parties shall endeavor to come to an agreement. If the parties are unable to agree, the matters in dispute shall be resolved pursuant to arbitration.

12.4 No Right of Subrogation; Adequacy of Coverage. All policies of insurance shall provide that the insurance company shall have no right of subrogation against Owner or Operator, their respective agents or employees except in the event of willful misconduct or gross negligence on the part of Owner, Operator, or their respective agents or employees. Owner assumes all risks in connection with the adequacy of any insurance program.

ARTICLE 13

TAXES

13.1 Payment of Taxes.

13.1.1 Operator shall pay when and as the same are due and payable, in the name and on behalf of Owner, in such installments as are permitted by law, all transient

accommodation taxes, general excise taxes (including general excise taxes assessed against all payments to Operator under this Agreement, including payments under this Section 13.1.1), gross income taxes, withholding and payroll taxes, and betterment assessments levied or assessed on or against the Hotel or any portion thereof or Gross Revenues therefrom for any fiscal period of the taxing authority, all or any part of which period is included in the Term. The portion of any such amount so paid which is allocable to a period during the Term shall be included as a Hotel Expense.

13.1.2 During the Term, Operator shall pay when and as the same are due and payable, as an Owner's Expense, in such installments as are permitted by law, all real property taxes levied or assessed on or against the Hotel. Operator shall have absolute control and discretion with respect to all matters relating to real property taxes levied or assessed against the Hotel.

ARTICLE 14

DAMAGE, DESTRUCTION OR CONDEMNATION

14.1 Damage or Destruction. If the Hotel or any portion thereof shall be damaged or destroyed at any time during the Term by fire, casualty or any other cause, Owner shall, subject to the provisions of the Franchise Agreement, have the sole discretion to repair and/or replace the Hotel.

14.1.1 If Owner elects, within twenty (20) days of such fire, casualty or cause, not to repair and/or replace the Hotel, then this Agreement shall automatically terminate upon written notice of such election by Owner to Operator; provided, however, that Owner shall (a) through the date of such termination (or such longer period as required by federal law or the laws of the State of Hawaii) and regardless of whether all or a portion of the Hotel is operating, pay for the Wages and Benefits of, and all payments required by federal law or state laws to, all Hotel employees, together with all general excise taxes imposed thereon and an amount to cover Operator's reasonable administrative costs and expenses in connection with processing such payment, and (b) pay for, at Owner's Expense, any and all amounts due and payable, upon termination or thereafter, to Licensor by any party, as Licensee, under the Franchise Agreement.

14.1.2 If Owner elects to repair and/or replace the Hotel (or if Owner fails to provide notice of any election within such 20-day period, in which event Owner shall be deemed to have elected to repair and/or replace the Hotel), then throughout such period of repair or reconstruction Owner shall continue to pay for the Wages and Benefits of all Hotel employees, together with all general excise taxes imposed thereon and an amount to cover Operator's reasonable administrative costs and expenses in connection with processing such payment; provided, however, that, if permitted by and subject to applicable law, Operator shall reasonably endeavor to minimize such expenses, including the termination of Hotel employees or reassignment of Hotel employees to other hotels operated by Operator.

14.2 Condemnation. If the whole of or a portion of the Hotel shall be taken in any condemnation, expropriation or like proceedings, or if such a portion thereof shall be taken as to make it unreasonable, in Owner's opinion, to use the remaining portion as a hotel of the type

preceding such taking, then this Agreement shall terminate as of the date of such taking; provided, however, that Owner shall (a) through the date of such termination (or such longer period as required by federal law or the laws of the State of Hawaii) and regardless of whether all or a portion of the Hotel is operating, pay for the Wages and Benefits of, and all payments required by federal law or state laws to, all Hotel employees, together with all general excise taxes imposed thereon and an amount to cover Operator's reasonable administrative costs and expenses in connection with processing such payment, and (b) pay for, at Owner's Expense, any and all amounts due and payable, upon termination or thereafter, to Licensor by any party, as Licensee, under the Franchise Agreement.

ARTICLE 15

ASSIGNMENT

15.1 No Right to Assign Without Consent of Other Party. Neither Owner nor Operator shall assign this Agreement, or any interest herein, without the prior written consent of the other party, which consent may be withheld for any reason or no reason. No assignment of this Agreement or any portion thereof shall relieve the assignor or transferor of its obligations and liabilities under this Agreement. Notwithstanding the foregoing, Operator or Owner shall be permitted to assign this Agreement to its respective Affiliate without the consent of the other party; provided, however, that such Affiliate shall be bound by the terms of this Agreement.

ARTICLE 16

TRANSFER OF HOTEL

16.1 Owner's Transfer of Interest in Hotel. In the event Owner Transfers (defined below) its right, title and/or interest in the Hotel either during the Term or prior to the date that is the twenty-fifth (25th) anniversary of the Commencement Date, either (a) any such Transfer shall be subject to this Agreement, or (b) Owner shall pay the Cancellation Fee set forth in Section 19.1.2 below; provided, however, that in the event Franchisor does not consent to the assignment or other transfer of the Licensee's rights under the Franchise Agreement to Owner or Owner's designee within one-hundred twenty (120) days after the Commencement Date, Operator acknowledges that Owner is required to reconvey the Hotel to ESW LLC, and upon such reconveyance, Owner and Operator shall cancel and terminate this Agreement and the recorded memorandum hereof without payment of the Cancellation Fee.

16.2 Definition of "Transfer." "**Transfer**" means, (a) as a noun, any transfer, sale, assignment, exchange, charge, pledge, gift, hypothecation, conveyance, encumbrance, or other disposition, whether direct or indirect, voluntary or involuntary, by operation of law or otherwise, of all of Owner's right, title and/or interest in the Hotel or of all of its membership interest or percentage interest in any entity comprising Owner, and (b) as a verb, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, to transfer, sell, assign, exchange, charge, pledge, give, hypothecate, convey, encumber, or otherwise dispose of all of Owner's right, title and/or interest in the Hotel or of all of its membership interest or percentage interest in any entity comprising Owner; provided, however, that a "Transfer" shall not include any of the foregoing if the result is that ESW LLC, Outrigger Hotels Hawaii or any Affiliate of

either of them, does not own any interest, either directly or indirectly, in the Hotel after the subject transaction takes effect.

ARTICLE 17

TERMINATION BY OWNER

17.1 Termination By Owner. The occurrence of any of the following events shall constitute a default and be good cause for Owner to terminate this Agreement without prejudice to any other rights or remedies Owner may have hereunder, or otherwise at law or in equity:

17.1.1 Operator breaches or fails to comply with any material term, covenant or condition of this Agreement or any other contract or agreement with a third party arising under, in connection with or relating to the Hotel or this Agreement, and Operator fails to cure such default within thirty (30) days after receipt of written notice from Owner specifying the exact nature of such default (unless some other cure period is provided in this Agreement, in which event such other cure period shall apply); provided, however, that if such default is curable but not reasonably susceptible of being cured within such thirty (30)-day period, Owner shall not be entitled to terminate this Agreement if Operator commences curing such default within the thirty (30)-day period and thereafter diligently pursues a cure thereof to completion.

17.1.2 Operator makes any assignment of its property for the benefit of creditors.

17.1.3 Operator's interest under this Agreement is taken on execution of a judgment.

17.1.4 Operator files a petition for adjudication as a bankrupt, for reorganization or for an arrangement under any bankruptcy or insolvency law, or an involuntary petition under any such law is filed against Operator and not dismissed within ninety (90) days thereafter.

17.2 Effective Date. If Owner elects to terminate this Agreement pursuant to Section 17.1.1, such termination shall be effective after the expiration of any cure periods available to Operator under such section, otherwise, such termination shall be effective upon Operator's receipt of written notice from Owner of Owner's intention to terminate this Agreement.

17.3 No Termination Without Cause. Owner may not terminate this Agreement without cause.

ARTICLE 18

TERMINATION BY OPERATOR

18.1 Termination by Operator. The occurrence of any of the following events shall constitute a default and be good cause for Operator to terminate this Agreement without prejudice to any other rights or remedies Operator may have hereunder, or otherwise at law or in equity:

18.1.1 Owner breaches or fails to comply with any material term, covenant or condition of this Agreement or another contract or agreement with a third party arising under, in connection with or relating to the Hotel or this Agreement and Owner fails to cure such default within thirty (30) days after receipt of notice from Operator specifying the exact nature of such default (unless some other cure period is provided in this Agreement, in which event such other cure period shall apply); provided, however, that if such default is curable but not reasonably susceptible of being cured within such thirty (30)-day period, Operator shall not be entitled to terminate this Agreement if Owner commences curing such default within the thirty (30)-day period, and thereafter diligently pursues a cure thereof to completion.

18.1.2 Owner makes any assignment of its property for the benefit of creditors.

18.1.3 Owner's interest under this Agreement is taken on execution of a judgment, including a judgment of foreclosure.

18.1.4 Owner files a petition for adjudication as a bankrupt, for reorganization or for an arrangement under any bankruptcy or insolvency law, or an involuntary petition under any such law is filed against Owner and not dismissed within ninety (90) days thereafter.

18.1.5 Owner fails to pay to Operator any amounts when due hereunder and Operator elects to terminate; provided, however, (1) that Operator must give Owner forty-five (45) days' prior notice of Operator's election to terminate for such reason and (2) Owner may cure such default during such notice period by paying funds, which payment would negate Operator's right to terminate under this subsection. If Owner fails to pay amounts as and when due hereunder, commencing as of the first day after the payment is due to Operator, (i) there shall be a late charge of five (5%) of the delinquent amount, and (ii) interest shall accrue on the delinquent amount at a rate equal to the lower of (x) three (3) percentage points above the Prime Rate or (y) the highest legal rate.

18.2 Effective Date. If Operator elects to terminate this Agreement pursuant to Section 18.1.1 and/or 18.1.5 above, such termination shall be effective after the expiration of any cure periods available to Owner under such section, otherwise such termination shall be effective upon Owner's receipt of written notice from Operator of Operator's intention to terminate this Agreement.

18.3 No Termination Without Cause. Operator may not terminate this Agreement without cause.

ARTICLE 19

RIGHTS UPON TERMINATION

19.1 Payment of Fees to Operator; Reimbursement of Other Amounts to Operator.

19.1.1 Upon termination of this Agreement for any reason or upon expiration of the Term, (1) Operator shall be entitled to: (a) reimbursement of all outstanding expenses incurred by Operator pursuant to this Agreement with respect to the Hotel; (b) payment of the Management Fee and any other fees payable under this Agreement (or under any other

arrangement entered into between the parties and/or the Affiliates of either in respect of the Hotel), to which Operator and/or its Affiliates would be entitled to through the date of termination; and (c) payment of any other sums due Operator hereunder; (2) Owner shall, through the termination or expiration date, as applicable, pay for the Wages and Benefits of all Hotel employees, together with all general excise taxes imposed thereon and an amount to cover Operator's reasonable administrative costs and expenses in connection with processing such payment, and (3) payment of any and all amounts due and payable, upon termination or thereafter, to Franchisor by any party, as Licensee, under the Franchise Agreement.

19.1.2 Owner and Operator hereby acknowledge agree that the continued effectiveness of this Agreement is a material consideration to the parties under the Tenancy-in-Common Agreement and to Operator, and that the termination or expiration of this Agreement will result in losses and damages to Operator. Accordingly, in addition to the sums provided for under Section 19.1.1, upon the termination of this Agreement by Owner pursuant to Section 16.1 or as a result of Owner's default under Section 18.1, Operator shall have the immediate right to a cancellation fee (the "**Cancellation Fee**") as liquidated damages and not as a penalty in an amount equal to the following:

(a) for the period from the Commencement Date to the eleventh (11th) anniversary of the Commencement Date, an amount equal to the product of (i) eight (8) times (ii) the Management Fees for the twelve (12) month period immediately preceding the date on which the event that resulted in the termination of this Agreement occurs, and

(b) for the period from the eleventh (11th) anniversary of the Commencement Date to the fifteenth (15) anniversary of the Commencement Date, an amount equal to the product of (i) the Management Fees for the twelve (12) month period immediately preceding the date on which the event that resulted in the termination of this Agreement occurs, times (ii) the following number (factor):

Year of Management Agreement	Factor
12	4
13	3
14	2
15	1;

provided, however, that if this Agreement is so terminated prior to the first (1st) anniversary of the Opening Date, the Management Fees budgeted for the first twelve (12) months after the Opening Date (as such budgeted Management Fees are shown in the Annual Operating Budget), shall be used to calculate the Cancellation Fee. An example of the calculation of the Cancellation Fee is set forth in Exhibit C attached hereto, based on an estimated annual Management Fee.

All entities comprising Owner, on behalf of themselves and their respective members, shareholders, officers and directors, and Operator hereby agree that the Cancellation Fee, as calculated above and as liquidated damages, is commercially reasonable.

19.2 Indemnification of Operator Upon Owner's Termination of Agreement. Upon the expiration or earlier termination of this Agreement by Owner, Owner shall indemnify, defend and hold Operator harmless against any and all losses, costs, damages, liabilities, claims and expenses, including reasonable attorneys' fees, arising or resulting from the failure of Owner to provide any of the services contracted for in connection with the business booked in the normal course of business for the Hotel up to and including the date of termination of this Agreement, including any and all business so booked as to which facilities or services are to be furnished subsequent to the date of termination.

19.3 Return of the Hotel and Distribution of Owner's Funds. Upon termination of this Agreement for any reason, Owner shall be entitled to: (a) return of possession of the Hotel and its FF&E in "as is, where is" condition, and (b) after payment to Operator of all fees and expenses due and payable to Operator pursuant to this ARTICLE 19 and after adequate reserves have been set aside by Operator for payment of Hotel Expenses that remain unpaid at the date of termination, (x) return of all funds held by Operator on Owner's behalf in any Agency Account or other account, including Working Capital reserves, and (y) payment of all other amounts due and payable by Operator to Owner under this Agreement to the date of termination.

ARTICLE 20

INDEMNIFICATION

20.1 Indemnification by Owner. Operator shall not, in the performance of this Agreement, be liable to Owner or to any other person for any act or omission, whether negligent, tortious or otherwise, of any agent (other than Operator) or employee of Owner. Owner shall indemnify, defend and hold harmless Operator to the fullest extent permitted by law, from any and all liability, loss, damage, cost or expense (including all attorneys' fees and expenses) arising from or relating to the organization, marketing, operation, direction, management, maintenance or supervision of the Hotel, or any of the foregoing acts or omissions, except to the extent such liability, loss, damage, cost or expense arises from the gross negligence or willful misconduct of Operator or its agents, representatives, officers, or employees. Owner's duty to indemnify Operator shall survive the termination of this Agreement and shall apply to any event or occurrence arising after the execution of this Agreement.

20.2 Indemnification by Operator. Operator shall indemnify, defend and hold harmless Owner to the fullest extent permitted by law, from any and all liability, loss, damage, cost or expense (including all attorneys' fees and expenses) arising from or relating to Operator's actions that fall within the scope of restrictions on Operator's authority, as expressly set forth in Section 3.2 (Limitations on Operator's Authority) in this Agreement, except to the extent such liability, loss, damage, cost or expense arises from the gross negligence or willful misconduct of Owner or its agents, representatives, officers, or employees. Operator's duty to indemnify Owner shall survive the termination of this Agreement and shall apply to any event or occurrence arising after the execution of this Agreement.

20.3 Limitation on Operator's Liability. In no event shall Owner make any claim against Operator on account of any alleged errors of judgment made in good faith in connection with the performance by Operator and/or its Affiliates of the obligations of Operator expressed

herein, nor shall Owner object to any expenditure made by Operator in good faith in connection with the performance of Operator's obligations hereunder, unless such expenditure is specifically prohibited by this Agreement.

ARTICLE 21

HOTEL TRADE NAME

21.1 Hotel Trade Name. During the Term, the Hotel shall be known by and operated under the name "Embassy Suites – Waikiki Beach Walk." Owner and Operator acknowledge that Licensor under the Franchise Agreement is and shall remain the owner of the "Embassy Suites" mark, that Operator is and shall remain the owner of the "Waikiki Beach Walk" mark, and that the Hotel will be owned, operated and managed in accordance with and subject to the terms and conditions of the Franchise Agreement and the Trademark License Agreement.

21.2 Other Operator Trade Names/Trademarks. Owner hereby acknowledges and agrees that Operator is and shall remain the owner of the "Waikiki Beach Walk™,""Outrigger™" and "OHANA™" trademarks and services marks, including the logos associated with such trademarks (collectively, the **"Operator Trade Names and Trademarks").** The exclusive rights to the use of the Operator Trade Names and Trademarks belong to and shall remain with Operator and are not in any way to be considered appurtenant to the Hotel, regardless whether any of the Operator Trade Names and Trademarks are used by Operator for the first time at the Hotel or elsewhere. By this Agreement, Operator does not grant to Owner the right to use Operator Trade Names and Trademarks, except as may be required under the Franchise Agreement.

21.3 Termination. Upon termination of this Agreement for any reason, and subject to the provisions of the Franchise Agreement, all further rights to use Operator Trade Names and Trademarks shall remain with Operator, and Owner, and each and every other occupant of the Hotel, shall immediately cease all use (including any use on a website or via the internet) of the Operator Trade Names and Trademarks, and all other service marks, slogans, signs, logos and emblems of Operator. Immediately upon termination of this Agreement, and subject to the provisions of the Franchise Agreement, Owner shall make all such physical changes to the Hotel and take all such other action as is necessary to remove from use, in connection with the Hotel, the Operator Trade Names and Trademarks and any and all signs, consumable supplies and other items bearing the Operator Trade Names and Trademarks, and/or any logos, emblems, slogans or service marks of Operator. If Owner fails to take such action within thirty (30) days of termination of this Agreement, Operator, at Owner's Expense, may enforce Owner's performance of its obligations hereunder by any legal means.

ARTICLE 22

COMPLIANCE WITH LAWS AND OBLIGATIONS

22.1 Compliance with Laws and Insurance Policies. Provided there is sufficient Working Capital, Operator shall comply with and abide by all applicable requirements of all laws, rules, regulations, requirements, orders, notices, determinations and ordinances of any

federal, state or municipal authority and the requirements of insurance companies covering any of the risks against which the Hotel is insured. In the event there is insufficient Working Capital, Owner shall immediately deposit sufficient Working Capital into the Agency Accounts from Owner's own funds on a cash basis, whereupon Operator shall comply with and abide by all such requirements.

22.2 Right to Contest. Owner shall have the right to contest any alleged violation and to postpone compliance pending the determination of such contest, both as permitted by law. In such event, Owner shall indemnify Operator from any resulting liability, loss, cost, damage or expense (including all fees and expenses of attorneys approved or selected by Operator), unless such violation is proved to have been caused by Operator's willful misconduct or gross negligence.

22.3 Owner's Obligations. Owner will observe and perform all obligations to be observed or performed by Owner under any agreement whatsoever in respect of the Hotel. The expense of any legal actions in defense of Owner's title or obligations shall be Owner's separate expense paid with Owner's own funds on a cash basis and not from the Agency Accounts.

ARTICLE 23

RESPONSIBILITY FOR HOTEL OPERATIONS

23.1 Agent of Owner; No Partnership. In the performance of its duties as Operator of the Hotel, Operator shall act solely as agent of Owner. Nothing herein shall constitute a partnership or joint venture between Owner and Operator. All debts and liabilities to third persons incurred by Operator in accordance with the provisions of this Agreement and otherwise in the normal course of its operation and management of the Hotel shall be the debts and liabilities of Owner, whether or not Operator so informs third parties with whom it deals on behalf of Owner (although Operator may so inform such third parties).

23.2 Operator's Right to Close Hotel. If at any time during the Term it becomes necessary in Operator's good faith and reasonable opinion to cease operation of the Hotel in order to protect the Hotel and/or the health, safety and welfare of the guests and/or Hotel Employees, then in such event Operator may close and cease operation of all or part of the Hotel and may reopen and commence operation when Operator deems that such may be done without jeopardy to the Hotel, its guests and employees.

23.3 Discounts; Employee Lodging. Operator may, in its discretion, provide food, beverage, lodging or parking at the Hotel, on a complimentary or discount basis, to any employee or guest of Owner or Operator, in accordance with Operator's policies. Operator, in its discretion, may provide the management of the Hotel suitable living quarters within the Hotel and may allow management to use all Hotel facilities, including food and beverage services, without charge. Any arrangement for the provision of goods and/or services to or for the benefit of the Hotel, the entering into of which is within Operator's authority hereunder, may be established at Operator's discretion in a manner permitting payment for Owner's account in kind, using the Hotel's facilities. Notwithstanding the foregoing, any actions by Operator under this section shall be consistent and in accordance with the Annual Operating Budget.

ARTICLE 24

MISCELLANEOUS

24.1 **Notices.** Any notice which a party is required or may desire to give the other shall be in writing and may be sent by (i) facsimile transmission, (ii) personal delivery, (iii) United States registered or certified mail, return receipt requested, postage prepaid, or (iv) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows (subject to the right of a party to designate a different address for itself by notice similarly given):

To Owner:

c/o American Assets, Inc.
11455 El Camino Real, Suite 200
San Diego, California 92130
Attention: John Chamberlain
Tel: (858) 350-2494
Fax: (858) 350-2620

With a copy by e-mail to:

gis@smclawoffices.com

To Operator:

Outrigger Hotels Hawaii
2375 Kuhio Avenue
Honolulu, Hawaii 96815
Attention: Melvyn M. Wilinsky
Telephone: (808) 921-6510
Facsimile: (808) 921-6505

With a copy to:

Cades Schutte LLP
1000 Bishop Street, 12th Floor
Honolulu, Hawaii 96813
Attn: Donna Y. L. Leong, Esq.
Telephone: (808) 521-9232
Facsimile: (808) 540-5026

Notice shall be deemed given on the date of actual delivery as shown by certification receipt, addressee's registry, facsimile confirmation or other means of verification. Notice may be given by the attorney for any party.

24.2 Governing Law; Jurisdiction. This Agreement is being executed and delivered in the State of Hawaii and shall be governed by and construed and interpreted in accordance with the laws of the State of Hawaii. Owner and Operator hereby agree that disputes between the parties hereto pertaining to this Agreement shall be resolved in federal courts located in the following jurisdictions: (a) Seattle, Washington, with regard to disputes solely between and involving Owner and Operator, or (b) Honolulu, Hawaii, with regard to all other disputes.

24.3 Force Majeure.

24.3.1 Neither party shall be liable to the other in damages nor shall this Agreement be terminated nor a default be deemed to have occurred because of any failure to perform hereunder caused by a Force Majeure.

24.3.2 In this Agreement, the term **"Force Majeure"** shall mean a war, act of terrorism, hurricane, tsunami, earthquake, fire, flood, explosion, strike, lockouts, labor troubles materially affecting Operator's ability to obtain sufficient qualified workers or materials, failure of power or other utility service for a period of more than 72 consecutive hours, riots, insurrection, unavoidable accident, civil disturbance, act of public enemy, embargo, war, catastrophic act of God, or any outbreak of disease.

24.3.3 A Force Majeure shall be deemed to have commenced as of the first day of the month in which Operator notifies Owner that an event has occurred after completion of Project construction and that the occupancy reports published by Smith Travel Research indicate a reduction in the average monthly occupancy rates for upper scale hotels located in Waikiki, Hawaii for such month by more than fifteen (15) points from the Base Period Occupancy. **"Base Period Occupancy"** means the average monthly occupancy rate for upper scale hotels located in Waikiki, Hawaii for the same month in the immediately preceding three (3) years.

24.3.4 The Force Majeure event shall be deemed terminated on the last day of the first month after the commencement of such Force Majeure event in which the average monthly occupancy rates for upper scale hotels located in Waikiki, Hawaii, as applicable, as reported by Smith Travel Research, to be within ten (10) points of the Base Period Occupancy (for the same month of comparison in the immediately preceding three (3) years). If Smith Travel Research ceases to publish such statistics, then such reduction in hotel occupancy rates shall be determined by reference to any successor publication mutually acceptable to the parties. If there is no successor publication, then a new standard shall be substituted by agreement of the parties or arbitration.

24.4 Consent Not Unreasonably Withheld. Except as is otherwise expressly provided herein, whenever in this Agreement the consent or approval of Owner or Operator is required, such consent or approval shall not unreasonably be withheld or delayed and shall be in writing, signed by an officer or agent, thereunto duly authorized, of the party granting such consent or giving such approval. Whenever Operator desires to take any proposed action which requires the approval of Owner, Operator shall give written notice thereof to Owner describing such proposed action in sufficient detail so as to enable Owner to exercise an informed judgment with respect thereto. Except as is otherwise expressly provided herein (a) as soon as practicable thereafter, Owner shall give Operator written notice that Owner either approves or disapproves the

proposed action (setting forth Owner's reasons therefor if it disapproves of such proposed action) or indicating that it needs additional information, and (b) if Owner fails to so respond on or before the tenth (10th) Business Day following the effective date of Operator's notice to Owner (or the tenth (10th) Business Day following the date Operator's response to Owner's request for additional information is delivered to Owner, which tenth (10th) Business Day period shall not be further extended upon delivery of Operator's response), then Owner shall be deemed to have approved of such action, and (b) in cases where consent or approval is required by Owner or Operator, the failure to respond within twenty (20) days of the receipt of the request for such consent or approval shall he conclusively deemed to constitute the requested consent or approval.

24.5 No Waiver. No assent, expressed or implied, by Owner or Operator to any breach of or default in any term, covenant or condition which this Agreement requires to be performed or observed by the other party shall constitute a waiver of or assent to any succeeding breach of or default in the same or any other term, covenant or condition hereof.

24.6 Set-off. Operator shall have the right to set-off against any payments to be made to Owner by Operator under any provision of this Agreement, and against all funds from time to time in the Agency Accounts, any and all liabilities of Owner to Operator, and Owner hereby pledges to Operator all funds from time to time in the Agency Accounts to secure the payment of all of the foregoing liabilities. Operator may withdraw from the Agency Accounts from time to time such amounts as it deems desirable in partial or full payment of all or any portion of said liabilities. The amounts of such withdrawals shall be paid by Owner to Operator on demand for replacement in the respective accounts.

24.7 Invalidity. In the event that any one or more of the phrases, sentences, clauses or paragraphs contained in this Agreement shall be declared invalid by the final and unappealable order, decree or judgment of any court, this Agreement shall be construed as if it did not contain such phrases, sentences, clauses or paragraphs.

24.8 Further Action. Owner and Operator shall execute and deliver all other appropriate supplemental agreements and other instruments, and take any other action necessary to make this Agreement fully and legally effective, binding, and enforceable as between them and as against third parties, including Owner's filing of such certificates as are required to be filed by persons or entities doing business in a name other than their own, indicating that Owner is engaging in the hotel business at the Hotel under the name of the Hotel.

24.9 No Party Deemed Drafter. Owner and Operator agree that no party shall be deemed to be the drafter of this Agreement and further that in the event that this Agreement is ever construed by a court of law, such court shall not deem either party to be the drafter of this Agreement.

24.10 Binding Effect. This Agreement shall be binding upon and inure to the benefit of Owner, and its successors, and/or permitted assigns, and shall be binding upon and inure to the benefit of Operator, and its successors and/or permitted assigns.

24.11 Captions. The captions and headings throughout this Agreement and its table of contents (if any) are for convenience and reference only, and shall in no way be held or deemed to define, modify or add to the meaning, scope or intent of any provision of this Agreement.

24.12 Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof, superseding all prior agreements or undertakings, oral or written.

24.13 Amendment. This Agreement may be amended only by a writing signed by Owner and Operator.

24.14 Counterparts and Facsimile Signatures. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Facsimile signatures on this Agreement shall be binding and effective for all purposes and shall be treated the same as original signatures on the original documents.

24.15 Confidentiality. Except as otherwise required by applicable law or court order, Owner and Operator shall maintain the confidentiality of this Agreement and the transaction contemplated hereby. Neither party shall disclose the same nor do anything to cause the same to be revealed to any third party without the prior written consent of the other party hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Hotel Management Agreement to be duly executed effective as of the Commencement Date.

OWNER:

WAIKELE VENTURE HOLDINGS, LLC, a Delaware limited liability company

By: /s/ John W. Chamberlain

Its: President

By: /s/ Robert F. Barton

Its: CFO

BROADWAY 225 SORRENTO HOLDINGS, LLC, a Delaware limited liability company

By: /s/ John W. Chamberlain

Its: President

By: /s/ Robert F. Barton

Its: CFO

BROADWAY 225 STONECREST HOLDINGS, LLC, a Delaware limited liability company

By: /s/ John W. Chamberlain

Its: President

By: /s/ Robert F. Barton

Its: CFO

[Signatures continued on next page]

OWNER:

EBW HOTEL LLC,
a Hawaii limited liability company

By ESW LLC,
a Hawaii limited liability company
Its Managing Member

By: Outrigger Retail LLC,
a Hawaii limited liability company,
Its Managing Member

By: Outrigger Hotels Hawaii,
a Hawaii limited partnership
Its Managing Member

By: Outrigger Enterprises, Inc.,
a Hawaii corporation
Its General Partner

By: /s/ Melvyn M. Wilinsky
Melvyn M. Wilinsky
Its Sr. Vice President and
Chief Financial Officer

OPERATOR:

OUTRIGGER HOTELS HAWAII,
a Hawaii limited partnership,
dba Outrigger Hotels & Resorts

By Outrigger Enterprises, Inc.,
a Hawaii corporation
Its General Partner

By /s/ Melvyn M. Wilinsky
Melvyn M. Wilinsky
Its Senior Vice President

EXHIBIT A

FIRST:

The Hotel Apartment of the condominium property regime known as "Beach Walk" (the "**Condominium**"), as established by that certain Declaration of Condominium Property Regime of Beach Walk, dated November 10, 2005, and recorded in Bureau of Conveyances of the State of Hawaii as Document No. 2005-230978 and in the Office of the Assistant Registrar of the Land Court of the State of Hawaii (collectively the "**Record Office**") as Land Court Document No. 3353847 and noted on Transfer Certificate of Title No. 787,626, (with any amendments called the "**Condominium Declaration**") and as shown on the plans of the Condominium filed in the Record Office as Condominium File Plan No. 4113 and Condominium Map No. 1757, (with any amendments called the "**Condominium Map**").

TOGETHER WITH the following appurtenant easements:

1. The right to use the Limited Common Elements described in the Condominium Declaration and/or delineated on the Condominium Map(s) as being appurtenant to the Apartment, such right being exclusive to the owner of the Apartment with respect to any Limited Common Element appurtenant solely to the Apartment and otherwise in common with the owners of the other apartments to which the Limited Common Element is appurtenant;

2. Nonexclusive easements for use of the Common Elements designed for such purposes for ingress to, egress from, and support, maintenance and repair of the Apartment; in the other Common Elements for use according to their respective purposes, subject always to the exclusive use of the Limited Common Elements as provided in the Condominium Declaration; and in all other apartments and Limited Common Elements of the building in which the Apartment is located for support;

3. If the Apartment or its Limited Common Elements now or later encroaches on any other apartment, Common Elements or Limited Common Elements, then a valid easement for the encroachment and the maintenance of it will remain in effect for so long as such encroachment continues. If any building is partly or totally destroyed and then rebuilt, or in the event of any shifting, settlement or movement of any part of the Condominium, minor encroachments of any parts of the Common Elements or apartments or Limited Common Elements due to that construction, shifting, settlement or movement are permitted and valid easements for those encroachments and the maintenance of them will exist for so long as the encroachments continue.

EXCEPTING AND RESERVING AND SUBJECT TO:

1. Easements for encroachments appurtenant to other apartments as they arise in the manner set forth in the preceding paragraph, now or later existing;

2. Easements for access to the Apartment from time to time during reasonable hours as may be necessary for the operation of the Condominium or for making emergency repairs to prevent damage to the Common Elements or to another apartment or apartments or for the

installation, repair or replacement of any Common Elements, as more particularly provided in the Condominium Declaration.

3. Easements through the Apartment appurtenant to the Common Elements of the Condominium and to all other apartments of the Condominium for support and repair of both the Common Elements of the Condominium and all other apartments of the Condominium, as more particularly provided in the Condominium Declaration

4. Any other easements granted or reserved by the "Developer" in the Condominium Documents.

SECOND:

An undivided 49.95% interest in and to the Common Elements of the Condominium, including the land, as described in the Condominium Declaration, or such other percentage interest as later established for the Apartment by any amendment of the Condominium Declaration, as tenant in common with the other owners of apartments in the Condominium. The land of the Condominium is described in Exhibit "A" to the Condominium Declaration and that description, as it may be amended from time to time, is incorporated herein by this reference.

Being property acquired by Owner by Limited Warranty Deed with Covenants (Hotel Apartment Beach Walk) dated January 10, 2006, recorded in the Bureau as Document No. 2006-005960, and in the Land Court as Document No. 3377065, and duly noted on Transfer Certificate of Title No. 787,626.

EXHIBIT B

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF REVENUE	MTD BUDGET	% OF REVENUE	MTD LAST YEAR	% OF REVENUE	DESCRIPTION	YTD ACTUAL	% OF REVENUE	YTD BUDGET	% OF REVENUE	YTD LAST YEAR	% OF REVENUE
						-REVENUE-						
						ROOMS						
						FOOD AND BEVERAGE						
						PROPERTY MANAGEMENT						
						TELEPHONE						
						OTHER						
						TOTAL REVENUE						
						-OPERATING EXPENSES-						
						ROOMS						
						FOOD AND BEVERAGE						
						PROPERTY MANAGEMENT						
						TELEPHONE						
						OTHER						
						TOTAL OPERATING EXP						
						DEPT OPERATING PROFIT						
						-UNDISTRIB OPER EXP-						
						GENERAL & ADMINISTRATIVE						
						SALES & MARKETING						
						FRANCHISE FEES						
						PROPERTY OPER & MAINT						
						ENERGY COSTS						
						TOTAL UNDISTR OPER EXP						
						GROSS OPERATING PROFIT						
						-FIXED CHGS & MGT FEES-						
						MANAGEMENT FEES						
						FF & E RESERVE						
						RENT TAXES INS						
						TOTAL FIXED CHGS & MGT F						
						OPERATING CASH FLOW						
						ROOM NIGHTS AVAILABLE						
						OCCUPIED ROOM NIGHTS						
						OCCUPANCY						
						OCCUPIED ADR						
						PAID ROOM NIGHTS						
						PAID OCCUPANCY						
						PAID ADR						
						REV PAR						

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF REVENUE	MTD BUDGET	% OF REVENUE	MTD LAST YEAR	% OF REVENUE	DESCRIPTION	YTD ACTUAL	% OF REVENUE	YTD BUDGET	% OF REVENUE	YTD LAST YEAR	% OF REVENUE
						OPERATING CASH FLOW						
						ADD: FF&E RESERVE (CONTR						
						ADD: MANAGEMENT FEES (CO						
						CASH FLOW FROM HOTEL						
						INTEREST INCOME						
						INTEREST EXPENSE						
						RENOVATION IMPROVEMENTS						
						DEPRECIATION & AMORT						
						OWNER EXPENSE						
						OTHER NON-OP EXPENSE						
						NET PROFIT (LOSS)						

RATE & OCCUPANCY

For the Seven Months Ending July 31, 2004

ACTUAL 2004	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	% OF TOTALS
NUMBER OF ROOMS														
ROOM NIGHTS AVAILABLE														
NET NIGHTS AVAILABLE														
ROOM NIGHTS														
CONSUMER														
TRAVEL AGENT														
CORP/ASSOCIATION														
WHOLESALE														
PAID ROOM NIGHTS														
INTERDEPT														
OWNER NIGHTS														
OCCUPIED ROOM NIGHTS														
OUT OF ORDER														
VACANT														
ROOM NIGHTS AVAILABLE														
AVERAGE LENGTH OF STAY														
AVERAGE OCCUPANCY														
CONSUMER														
TRAVEL AGENT														
CORP/ASSOCIATION														
WHOLESALE														
PAID OCCUPANCY														
INTERDEPT														
OWNER														
OCCUPIED														
OUT OF ORDER														
VACANT														
AVAILABLE														
AVERAGE DAILY ROOM														
WEIGHTED RACK RATE														
CONSUMER														
TRAVEL AGENT														
CORP/ASSOCIATION														
WHOLESALE														
INTERDEPT														
REVENUE														
CONSUMER														
TRAVEL AGENT														
CORP/ASSOCIATION														
WHOLESALE														
UPSELL & NO SHOW														
SUB-TOTAL ROOM REVENUE														
INTERDEPT														
TOTAL ROOM REVENUE														
PAID OCCUPANCY														
TOTAL OCCUPANCY														
PAID ADR														
ROOM REVENUES														
REV PAR														
MO VAR - FAV (UNFAV)														
YTD RM REV - ACT														
YTD RM REV - BUD														
YTD VAR - FAV (UNFAV)														
‘03 PAID OCCUPANCY														
‘03 TOTAL OCCUPANCY														
‘03 PAID ADR														
‘03 ROOM REVENUES														
‘03 REV PAR														
% CHANGE MONTH REV OVER PRIOR YEAR														

ROOMS DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	COST PER OCCU-PIED RM NIGHT	MTD BUDGET	COST PER OCC-UPIED RM NIGHT	VARIANCE BETTER/ (WORSE)	COST PER OCC-UPIED RM NIGHT	MTD LAST YEAR	COST PER OCC-UPIED RM NIGHT	DESCRIPTION	YTD ACTUAL	COST PER OCC-UPIED RM NIGHT	YTD BUDGET	COST PER OCC-UPIED RM NIGHT	VARIANCE BETTER/ (WORSE)	COST PER OCC-UPIED RM NIGHT	YTD LAST YEAR	COST PER OCCU-PIED RM NIGHT
								CONSUMER								
								TRAVEL AGENT								
								CORP/ASSOCIATION								
								WHOLESALE								
								OTHER								
								TOTAL ROOM REVENUE								
								NO SHOW								
								[ILLEGIBLE] REV								
								INTERDEPT RMS REV								
								TOTAL RMS DEPT REV								
								-P/R RELATE EXPENSES-								
								$ & WGS- HSXP- SALARY								
								$ & WGS- HSXP- HOURLY								
								$ & WGS HBXP - P. A.								
								$ & WGS BELL								
								$ & WGS - F/DSK - SALARY								
								$ & WGS - F/DSK - HOURLY								
								$ & WGS - GUEST SERVICES								
								$ & WGS - RESERVATIONS								
								VACATION PAY								
								HOLIDAY, SICK, OTHER								
								P/R TAXES & BENEFITS								
								TOTAL P/R & REL EXP								
								-OTHER ROOM DEPT EXP-								
								COMMISSIONS								
								EQUIPMENT EXPENSES								
								GUEST AMENITIES								
								GUEST SUPPLIES								
								LAUNDRY EXPENSES								
								LINEN								
								OPERATING SUPPLIES - ROOMS								
								OPERATING SUPPLIES - OTHER								
								OUTSIDE CONTRACT SVC								
								TAXES								
								TELEPHONE								
								GUEST RELOCATION								
								UNIFORMS								
								OTHER								
								RESERVATIONS								
								TOTAL OTHER EXPENSES								
								TOTAL EXPENSES								
								• DEBT PROFIT (LOSS)								
								PROFIT MARGIN								
								TOTAL OCC RM NIGHTS								

FOOD & BEVERAGE SUMMARY

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF REVENUE	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	NTD L/YR ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF REVENUE	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE
								-REVENUE-								
								BEVERAGE - RETAIL								
								FOOD-RETAIL								
								ALLOWANCES								
								NET F&B REVENUE								
								COVER CHRGS & OTHER								
								TOTAL REVENUE								
								-COST OF SALES-								
								COST OF BEVERAGE								
								COST OF FOOD								
								COST OF SALES - AMENITY								
								COST OF SALES- OTHER								
								TOTAL COST OF SALES								
								GROSS PROFIT								
								-EXPENSES-								
								SAL & WAGES - SERVICE								
								SAL & WAGES - STEW								
								SAL & WAGES PREP								
								VACATION PAY								
								HOLIDAY, SICK, OTHER								
								PAYROLL REOVERIES								
								P/R TAXES & BENEFITS								
								TOTAL P/R & REL EXP								
								ADVERTISING								
								CASH OVER/SHORT								
								CHINA GLASS & SILVER								
								COMMISSIONS								
								DECORATIONS								
								DUES & PUBLICATIONS								
								EQUIPMENT EXPENSE								
								LAUNDRY/DRY CLEANING								
								IN-HOUSE LAUNDRY								
								LINEN & LINEN RENTAL								
								LICENSES & PERMITS								
								MENUS								
								MUSIC & ENTERTAIN								
								OFFICE EXPENSES								
								OPERATING SUPPLIES								
								OUTSIDE CONTRACT SVC								
								SPECIAL PROMOTION								
								TELEPHONE								
								TRAVEL MTGS & ENTERTA								
								UNIFORMS								
								OTHER								
								F & B ADMIN								
								TOTAL OTHER EXPENSES								
								TOTAL EXPENSES								
								• DEPT PROFIT (LOSS)•								

HALU BAR

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF REVENUE	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	NTD L/YR ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF REVENUE	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE
								-REVENUE-								
								BEVERAGE-RETAIL								
								-FOOD-RETAIL								
								ALLOWANCES-								
								NET F & B REVENUE								
								COVER CHRGS & OTHER								
								TOTAL REVENUE								
								-COST OF SALES								
								-COST OF BEVERAGE								
								-COST OF FOOD								
								COST OF SALES-AMENITY								
								TOTAL COST OF SALES								
								GROSS PROFIT								
								-EXPENSES-								
								SAL & WAGES-SERVICE								
								SAL & WAGES-STEW								
								SAL & WAGES-PREF								
								VACATION PAY								
								HOLIDAY, SICK, OTHER P/R TAXES & BENEFITS								
								TOTAL P/R & REL EXP								
								CASH OVER/SHORT								
								CHINA, GLASS & SILVER								
								EQUIPMENT EXPENSE								
								LAUNDRY/DRY CLEANING								
								IN-HOUSE LAUNDRY								
								LICENSES & PERMITS								
								MUSIC & ENTERTAIN								
								OFFICE EXPENSE								
								OPERATING SUPPLIES								
								OUTSIDE CONTRACT SVC								
								TELEPHONE								
								TRAVEL MTGS & ENTERTA								
								UNIFORMS								
								OTHER								
								F & B ADMIN								
								TOTAL OTHER EXPENSES								
								TOTAL EXPENSES								
								• DEPT PROFIT (LOSS) •								

BANQUETS

For the Seven Months Ending July 31, 2004

MTD ACTUAL	%OF REVENUE	MTD BUDGET	B(W) THAN BUDGET	%or CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF REVENUE	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-REVENUE-								
								BEVERAGE-RETAIL								
								FOOD-RETAIL								
								ALLOWANCES								
								NET F&B REVENUE								
								COVER CHRGS & OTHER								
								TOTAL REVENUE								
								-COST OF SALES-								
								COST OF BEVERAGE								
								COST OF FOOD								
								COST OF SALES - OTHER								
								TOTAL COST OF SALES								
								GROSS PROFIT								
								-EXPENSES-								
								SAL & WAGES - SERVICE								
								SAL & WAGES - STEW								
								SAL & WAGES - PREP								
								VACATION PAY								
								HOLIDAY, SICK, OTHER								
								P/R TAXES & BENEFITS								
								TOTAL P/R & REL EXP								
								CASH OVER/SHORT								
								CHINA, GLASS & SILVER								
								DECORATIONS								
								DUES & PUBLICATIONS								
								EQUIPMENT EXPENSES								
								LAUNDRY/DRY CLEANING								
								IN-HOUSE LAUNDRY								
								LINEN & LINEN RENTAL								
								LICENSES & PERMITS								
								MUSIC & ENTERTAIN								
								OFFICE EXPENSE								
								OPERATING SUPPLIES								
								OUTSIDE CONTACT SVC								
								TELEPHONE								
								TRAVEL MTGS & ENTERTA								
								UNIFORMS								
								OTHER								
								F & B ADMIN								
								TOTAL OTHER EXPENSES								
								TOTAL EXPENSES								
								• DEPT PROFIT (LOSS) •								

FOOD & BEVERAGE ADMINISTRATION
For the Seven Months Ending July 31, 2004

MTD ACTUAL	%OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	%OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-ADMINISTRATIVE EXP								
								SAL & WAGES								
								VACATION PAY								
								HOLIDAY, SICK, OTHER								
								PAYROLL TAXES & BENE								
								TOTAL P/R RELATED								
								ADVERTISING								
								AUTOMOBILES-								
								COMPUTER-								
								COMPUTER EQUIPMENT								
								COMPUTER SOFTWARE								
								DUES & PUBLICATIONS								
								EQUIPMENT EXP-								
								LICENSE & PERMITS								
								OFFICE EXPENSE-								
								OFFICE EQUIPMENT								
								OFFICE SUPPLIES								
								OPERATING SUPPLIES								
								OUTSIDE CONTR SVCS								
								OUTSIDE CONTR SVCS								
								POSTAGE								
								PROFESSIONAL FEES								
								TELEPHONE								
								COST OF LOCAL SERVI								
								COST OF LONG DISTAN								
								TELE OTHER								
								TVL MTGS & ENTERTAIN								
								BUSINESS ENTERTAIN								
								TRAVEL								
								LODGING								
								TRAVEL MEALS								
								UNIFORM EXP								
								OTHER-								
								MISCELLANEOUS								
								OPERATING EXPENSES								
								* DEPARTMENT TOTAL								

PROPERTY MANAGEMENT DEPT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	%OF REVENUE	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF REVENUE	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-REVENUE-								
								FIXED RENT								
								PERCENTAGE RENT								
								CAM								
								OTHER								
								TOTAL REVENUE								
								-EXPENSES-								
								SALARIES & WAGES								
								TOTAL S&W RELATED								
								OTHER EXPENSES								
								MAINT EXPENSES								
								OTHER EXPENSES								
								ALLOC RETAIL LEASING								
								TOTAL OTHER EXPENSES								
								TOTAL EXPENSES								
								* DEPT PROFIT (LOSS)*								
								PROFIT MARGIN								

TELECOMMUNICATIONS

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF REVENUE	MTD BUDGET	B (W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF REVENUE	YTD BUDGET	B (W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE
								-REVENUE-								
								TELE SALES-LOCAL								
								ADJ TO LOCAL CALLS								
								TELE SALES-LONG DIST								
								ADJ TO LONG DISTANCE								
								TEL COMMISSIONS								
								TOTAL REVENUE								
								-COST OF SALES-								
								COST OF LOCAL SERVICE								
								COST OF LONG DISTANCE								
								TOTAL COST OF SALES								
								-EXPENSES-								
								SALARIES & WAGES								
								VACATION PAY								
								HOLIDAY, SICK, OTHER								
								P/R TAXES & BENEFITS								
								PAYROLL RECOVERIES								
								TOTAL P/R & REL EXP								
								OFFICE EXPENSE								
								TAXES GET								
								TEL-LINE CHARGES								
								TEL-MAINTENANCE								
								TEL-MAINT CONTRACTS								
								TEL-MOVES/ADDS								
								CHANGE								
								TEL-OTHER								
								UNIFORMS								
								OTHER								
								TELECOM MAINT								
								OTHER EXP								
								TOTAL EXPENSES								
								DEPARTMENT PROFIT								
								PROFIT MARGIN								
								TEL-LOCAL RPOR								
								TEL L/D RPOR								

OTHER INCOME DEPT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF REV-ENUE	MTD BUDGET	B (W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF REV-ENUE	YTD BUDGET	B (W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-REVENUE-								
								AMENITIES INCOME								
								BUSINESS CTR REVENUE								
								COFFEE SERVICE REVENUE								
								COMMUNITY MKTG PROG								
								FAX INCOME								
								FOREIGN CURRENCY CONV								
								MOVIE INCOME								
								SAFE RENTAL								
								TOUR DESK INCOME								
								COWABUNGA CLUB INCOME								
								VALET PARKING REVENUE								
								OTHER INCOME								
								TOTAL REVENUE								
								-EXPENSE-								
								AMENITIES EXPENSE								
								BUSINESS CENTER EXP								
								COFFEE SERVICE EXPENSE								
								FAX EXPENSE								
								MOVIE EXPENSE								
								OTHER GUEST EXPENSE								
								POOL EXPENSE								
								SAFE RENTAL EXPENSE								
								TOUR DESK EXPENSE								
								COWABUNGA CLUB EXPENSE								
								TAXES-HAWAII GEN EXCI								
								TOTAL EXPENSES								
								DEPARTMENT PROFIT								
								PROFIT MARGIN								
								COFFEE SERVICE RPOR								
								MOVIE INCOME RPOR								
								SAFE INCOME RPOR								
								OTHER INCOME RPOR								

GENERAL & ADMINISTRATIVE

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B (W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B (W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B (W) THAN LAST YEAR	% OF CHANGE
								-EXPENSES-								
								TOTAL P/R & REL EXP								
								AUTOMOBILE EXPENSE								
								BAD DEBTS								
								CASH OVER/SHORT								
								COMM CREDIT-CARD								
								COMPUTER								
								CHECK VERIF FEES								
								DUES & PUBLICATIONS								
								LOSS & DAMAGE								
								OFFICE EXPENSES								
								POSTAGE								
								PROFESSIONAL FEES								
								TELEPHONE								
								TVL MTGS & ENTERTAIN								
								OTHER								
								TOTAL OTHER G&A EXP								
								TOTAL DIRECT G&A EXP								
								EXECUTIVE OFFICE								
								INFORMATION TECHNOLO								
								PURCHASING								
								HUMAN RESOURCES								
								CORP COMP & BENEFITS								
								FINANCIAL SERVICES								
								SECURITY								
								TOTAL COMPANY SVC EX								
								TOTAL G&A EXP								

EXECUTIVE OFFICES DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								- ADMINISTRATIVE EXP								
								SAL & WAGES								
								VACATION PAY								
								HOLIDAY, SICK , OTHER								
								PAYROLL TAXES & BENE								
								TOTAL P/R & RELATED								
								AUTOMOBILE -								
								AUTOMOBILES EXPENSES								
								COMPUTER -								
								COMPUTER EQUIPMENT								
								CONTRIBUTIONS -								
								DONATIONS								
								DUES & PUBLICATIONS								
								EQUIPMENT EXP -								
								GUEST AMENITIES & SU								
								OFFICE EXPENSE -								
								COPIER EXPENSE								
								OFFICE EQUIPMENT								
								OFFICE SUPPLIES								
								OUTSIDE CONTR SVCS								
								POSTAGE								
								PROFESSIONAL FEES -								
								TELEPHONE -								
								COST OF LOCAL SERVI								
								COST OF LONG DISTN								
								TEL-MOBILE CELLULAR								
								MOVED/ADDS/CHAN								
								TEL-OTHER								
								TVL MTGS & ENTERTAIN								
								BUSINESS ENTERTAIN								
								MEETINGS								
								TRAVEL								
								LODGING								
								TRAVEL MEALS								
								OTHER -								
								TRAINING SEMINARS								
								MISCELLANEOUS								
								OPERATING EXPENSES								
								DEPARTMENT TOTAL								

PERSONNEL DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								- ADMINISTRATIVE EXP								
								SAL & WAGES								
								VACATION PAY								
								HOLIDAY, SICK , OTHER								
								PAYROLL TAXES & BENE								
								TOTAL P/R & RELATED								
								AUTOMOBILE -								
								COMPUTER -								
								COMPUTER SOFTWARE								
								DUES & PUBLICATIONS								
								EQUIPMENT EXP -								
								OFFICE EXPENSE -								
								COPIER EXPENSE								
								OFFICE EQUIPMENT								
								OFFICE SUPPLIES								
								OUTSIDE CONTR SVCS								
								POSTAGE								
								PROFESSIONAL FEES -								
								LEGAL FEES								
								OTHER PROF FEES								
								TELEPHONES -								
								COST OF LOCAL SERVI								
								COST OF LONG DISTAN								
								TEL-MOBILE CELLULAR								
								TEL-MOVES/ADDS/ CHAN								
								TEL-OTHER								
								TVL MTGS & ENTERTAIN								
								BUSINESS ENTERTAIN								
								MEETINGS								
								TRAVEL								
								LODGING								
								TRAVEL MEALS								
								UNIFORM EXP								
								OTHER -								
								MISCELLANEOUS								
								TOTAL ADMIN EXPENSE								
								EMPLOYEE RELATED EXP								
								EMPLOYEE MOTIVIATION								
								EMPLOYEE RECOGNITIO								
								RECRUITING EXPENSE								
								EMPLOYEE TRAINING								
								TOTAL HUMAN REL EXP								
								OPERATING EXPENSES								
								• DEPARTMENT TOTAL								

ACCOUNTING DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								- ADMINISTRATIVE EXP								
								SAL & WAGES								
								VACATION PAY								
								HOLIDAY, SICK , OTHER								
								PAYROLL TAXES & BENE								
								TOTAL P/R & RELATED								
								AUTOMOBILES -								
								COMPUTER -								
								COMPUTER EQUIPMENT								
								DUES & PUBLICATIONS								
								EQUIPMENT EXP -								
								OFFICE EXPENSE -								
								COPIER EXPENSE								
								OFFICE EQUIPMENT								
								OFFICE SUPPLIES								
								OPERATING SUPPLIES								
								OUTSIDE CONTR SVCS								
								OUTSIDE CONTR SVCS								
								POSTAGE								
								PROFESSIONAL FEES -								
								ACCOUNTING FEES -								
								TELEPHONE -								
								COST OF LOCAL SERVI								
								COST OF LONG DISTAN								
								TEL-MOVES/ADDS/ CHAN								
								TEL-OTHER								
								TVL MTGS & ENTERTAIN								
								BUSINESS ENTERTAIN								
								MEETINGS								
								TRAVEL								
								LODGING								
								TRAVEL MEALS								
								UNIFORM EXP								
								OTHER -								
								MISCELLANEOUS								
								OPERATING EXPENSES								
								• DEPARTMENT TOTAL								

PURCHASING DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-ADMINISTRATIVE EXP								
								SAL & WAGES								
								VACATION PAY HOLIDAY, SICK, OTHER PAYROLL TAXES & BENE								
								TOTAL P/R & RELATED								
								AUTOMOBILE -								
								COMPUTER-								
								DUES & PUBLICATIONS								
								EQUIPMENT EXP-								
								OFFICE EXPERTS								
								COPIER EXPENSE								
								OFFICE SUPPLIES								
								OUTSIDE CONTR SVCS								
								POSTAGE								
								PROFESSIONAL FEES-								
								TELEPHONE-								
								COST OF LOCAL SERVI								
								COST OF LONG DISTAN								
								TVL MTGS & ENTERTAIN								
								UNIFORM EXP								
								OTHER-								
								OPERATING EXPENSES								
								* DEPARTMENT TOTAL								

SECURITY DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-ADMINISTRATIVE EXP								
								SAL & WAGES								
								VACATION PAY HOLIDAY, SICK, OTHER PAYROLL TAXES & BENE								
								TOTAL P/R & RELATED								
								AUTOMOBILE -								
								COMPUTER-								
								COMPUTER EQUIPMENT								
								COMPUTER SOFTWARE								
								DUES & PUBLICATIONS								
								OFFICE EXPENSES-								
								COPIER EXPENSE								
								OFFICE SUPPLIES								
								OUTSIDE CONTR SVCS								
								POSTAGE								
								PROFESSIONAL FEES-								
								TELEPHONE-								
								COST OF LOCAL SERVI								
								COST OF LONG DISTAN								
								TEL-MOBILE CELLULAR								
								TEL-OTHER								
								TVL MTGS & ENTERTAIN								
								BUSINESS ENTERTAINMENT								
								MEETINGS								
								TRAVEL								
								LODGING								
								TRAVEL MEALS								
								UNIFORM EXP								
								OTHER-								
								MISCELLANEOUS								
								TOTAL ADMIN EXPENSE								
								SECURITY EXPENSE-								
								EQUIPMENT EXPENSE								
								FIRST AID SUPPLIES/E								
								OPERATING SUPPLIES								
								TOTAL SECURITY EXPENSE								
								OPERATING EXPENSES								
								IN-HOUSE LAUNDRY								
								* DEPARTMENT TOTAL								

MARKETING DEPT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-EXPENSES-								
								ELECTRONIC MARKETING								
								PROPERTY DIRECT MKTG								
								PROPERTY SALES OFC								
								GROUP/HCI								
								MARKETING								
								* TOTAL MARKETING DE								

SALES DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-EXPENSES-								
								SAL & WAGES								
								VACATION PAY								
								HOLIDAY, SICK, OTHER								
								PAYROLL, TAXES & OTHER								
								TOTAL P/R & RELATED								
								-ADMINISTRATIVE-								
								COMPUTER-								
								COMPUTER EQUIPMENT								
								COMPUTER SOFTWARE								
								DUES & PUBLICATIONS								
								EQUIPMENT EXP-								
								OFFICE EXPENSE-								
								COPIER EXPENSE								
								OFFICE EQUIPMENT								
								OFFICE SUPPLIES								
								POSTAGE								
								PROFESSIONAL FEES-								
								TELEPHONE-								
								COST OF LOCAL SERVICES								
								COST OF LONG DISTAN								
								TELE - OTHER								
								TVL MTGS & ENTERTAIN								
								BUSINESS ENTERTAIN								
								MEETINGS								
								TRAVEL								
								LODGING								
								TRAVEL, MEALS								
								UNIFORM EXP								
								OTHER-								
								MISCELLANEOUS								
								TOTAL ADMIN EXPENSE								
								SELLING EXPENSES								
								AMENITIES								
								SALES REPRESENTATIVE								
								TRADE SHOWS								
								SPECIAL PROMOTIONS								
								TRADE SHOWS								
								TOTAL SELLING EXPENS								
								PROP SPECIFIC EXP								
								* DEPARTMENT TOTAL								

ADVERTISING DEPARTMENT

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-ADMINISTRATIVE EXP								
								TOTAL P/R & RELATED								
								AUTOMOBILE-								
								COMPUTER-								
								EQUIPMENT EXP-								
								OFFICE EXPENSE-								
								OUTSIDE CONTR SVCS								
								PROFESSIONAL FEES-								
								TELEPHONE								
								TVL MTGS & ENTERTAIN								
								OTHER-								
								TOTAL ADMIN EXPENSE								
								MARKETING EXPENSE-								
								ADVERTISING FEES								
								AMENITIES								
								BROCHURES/COLLATERAL								
								CO-OP ADVERTISING								
								DIRECT MAIL								
								OUTDOOR ADVERTISING								
								PHOTOGRAPHY								
								PRINT ADVERTISING								
								PRODUCTION OF ADV								
								PROMO MATERIALS & GR								
								PUBLIC RELATIONS								
								RADIO & TV ADVERTISI								
								TRADE CREDIT								
								OTHER MARKETING EXPE								
								TOTAL MARKETING EXPE								
								PROPERTY SPECIFIC EX								
								* DEPARTMENT TOTAL								

FRANCHISE FEES

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-EXPENSES-								
								APS FEE								
								CORPORATE REIMBURSEM								
								DIRECTORY/ BROCHURE								
								FRANCHISE FEES								
								CRF/CATERING REFERRA								
								HAWAII CLUSTER PROG								
								REDEMPTION DISCOUNT								
								REWARD FEES								
								SYSTEM CHARGES								
								* TOTAL FRANCHISE FEE								

MAINTENANCE

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-P/R RELATED EXPS-								
								SALARIES & WAGES								
								VACATION PAY								
								HOLIDAY SICK OTHER								
								P/R TAX & BENEFITS								
								PAYROLL RECOVERIES								
								TOTAL P/R & REL EXP								
								-OPERATING EXPENSES-								
								ADA COMPLIANCE								
								AIR CONDITIONING								
								AUTOMOBILES								
								BUILDING MAINTENANCE								
								CENTRAL OPS MAINT								
								CURTAINS & DRAPES								
								ELECTRICAL								
								ELEVATOR								
								ENERGY CONSERVATION								
								FF&E MAINTENANCE								
								[ILLEGIBLE]								
								GROUNDS /LANDSCAPING								
								KITCHEN MAINT								
								LIFE SAFETY								
								LIGHTING								
								LOCK & KEY								
								MAINT SUPPL/TOOLS								
								NIGHT SHIFT MAINT								
								OFFICE EXPENSES								
								PAGER/RADIO EQUIP								
								PAINTING & DECORATIN								
								PEST CONTROL								
								PLUMBING & MECHANICA								
								PROFESSIONAL FEES								
								RECYCLING								
								REFUSE REMOVAL								
								SWIMMING POOL								
								TELEVISION								
								TRAINING								
								UNIFORM								
								INTERDEPT								
								TOTAL OPERATING EXP								
								TOTAL EXPENSES								
								TOTAL DEPARTMENT EXP								
								CPAR STATISTICS								
								TOTAL AVAIL RM NIGHT								
								TOTAL P/R & REL EXP								
								OTHER OPERATING EXP								
								TOTAL DEPARTMENT EXP								

UTILITY COSTS

For the Seven Months Ending July 31, 2004

TD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-EXPENSES-								
								ELECTRICITY								
								FUEL OIL								
								GAS								
								SEWER								
								WATER								
								UTILITIES REIMBURSEM								
								TOTAL EXPENSES								
								• DEPARTMENT TOTAL •								
								ELECTRICITY CPOR								
								FUEL OIL CPOR								
								• GAS CPOR								
								• SEWER CPOR								
								• WATER CPOR								
								• UTILITY COSTS CPOR								

NON-OPERATING EXPENSE

For the Seven Months Ending July 31, 2004

MTD ACTUAL	% OF TOTAL	MTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	MTD L/YR ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE	DESCRIPTION	YTD ACTUAL	% OF TOTAL	YTD BUDGET	B(W) THAN BUDGET	% OF CHANGE	LAST YTD ACTUAL	B(W) THAN LAST YEAR	% OF CHANGE
								-NON OPERATING EXP-								
								MANAGEMENT FEES								
								BASIC FEES								
								BASIC FEES CONTRA								
								TTL MANAGEMENT FEES								
								FEES RESERVE								
								FEES RESERVE EXPENSE								
								FEES CLEARING								
								TOTAL FEES EXPENSE								
								MORTGAGE AGREEMENT								
								PRUDENTIAL AGREEMENT								
								RENT TAX INSURANCE								
								RENT								
								TOTAL RENT								
								BUSINESS IMPROV DIS								
								TOTAL BID								
								REAL PROPERTY TAXES								
								REAL PROP TAXES								
								REAL PROP TAX REF								
								TOTAL REAL PROP TAX								
								INSURANCE								
								LIAB INS & CLAIMS								
								PROPERTY INSURANCE								
								RISK MGT ADMIN								
								TOTAL INSURANCE								
								RESORT FEES								
								TOTAL RENT TAX INS								
								DEPRECIATION & AMORT								
								DEPRECIATION								
								DEPRECIATION & AMORT								
								INTEREST EXP & OTHER								
								INTEREST INCOME								
								OTHER EXPENSE								
								TOTAL INT EXP/OTHER								
								LEGAL FEES/LITIGAT								
								TOTAL NON-OP EXP								

BALANCE SHEET
Company 167
As of July 31, 2004

DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
- ASSETS -			
- CURRENT ASSETS -			
CASH - HOUSE BANKS			
CASH - CHECKING			
CASH - OPERATING SAVINGS			
TOTAL CASH			
RECEIVABLES GUEST LEDGER			
RECEIVABLES CITY LEDGER			
RECEIVABLES CONCESSIONS			
RECEIVABLES OTHERS			
ALLOWANCE-DOUBTFUL ACCOUNTS			
TOTAL HOTEL & OTHER REC			
INVENTORIES			
PREPAID EXPENSES & OTHER			
TOTAL CURRENT ASSETS			
- NON CURRENT ASSETS -			
LAND			
BUILDINGS			
FF&E			
LANDSCAPING			
TELEPHONE			
COMPUTER EQUIPMENT			
CONSTRUCTION IN PROGRESS			
LESS ACCUM DEPR & AMORT			
PROPERTY & EQUIPMENT (NET)			
TOTAL NON CURRENT ASSETS			
TOTAL ASSETS			

BALANCE SHEET
Company 167
As of July 31, 2004

DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
- LIABILITIES & EQUITY -			
- LIABILITIES -			
- CURRENT LIABILITIES -			
ACCOUNTS PAYABLE			
RETENTION PAYABLE			
A/P ONI/REMARK			
ACCRUED LIABILITIES			
RESERVATIONS DEPOSITS			
A/P OUTRIGGER HOTELS HAWAII			
A/P ORH HOLDING LLC			
TOTAL CURRENT LIABILITIES			
- NONCURRENT LIABILITIES -			
MORTGAGE PAYABLE			
SECURITY DEPOSIT			
OTHER DEPOSITS			
TOTAL NONCURRENT LIABILITIES			
TOTAL LIABILITIES			
- EQUITY -			
ORH HOLDING LLC 100%			
ORH HOLDING ADD'L PIC			
ORH HOLDING BY EARNINGS			
ORH HOLDING PY DISTRIB			
ORH HOLDING CY EARNINGS			
TOTAL EQUITY			
TOTAL LIABILITIES & EQUITY			

BALANCE SHEET (DETAILED)
COMPANY 167
As of July 31, 2004

ACCOUNT #	DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
	ASSETS			
	CURRENT ASSETS			
	CASH			
1010	HOUSE BANKS			
	HOUSE BANKS			
	CASH-CHECKING			
1035	DISBURSING ACCOUNT			
1036	FHB RENOVATIONS			
1045	ECH OPERATING			
1065	PAYROLL			
	CASH-CHECKING			
	CASH INTEREST BEARING			
1082.001	OPERATING SAVINGS ACCT			
	CASH INTEREST BEARING			
	CASH			
	HOTEL & OTHER RECEIVABLES			
1100	RECEIVABLES GUEST LEDGER			
1200.	RECEIVABLES CITY LEDGER			
	RECEIVABLES CONCESSIONS			
	RECEIVABLES OTHERS			
1405.	A/R REFUND CLEARING			
1425.	A/R RETURNED CHECKS			
1500.	A/R OTHER			
1500.001	A/R CLEARING			
1554	A/R BRE HAIKOLOA LLC			
1635	DUE FROM ESCROW			
	RECEIVABLES OTHERS			
1699.	ALLOW FOR DOUBTFUL ACCT			
1699.001	ALLOWANCE-W/O'S			
1699.002	ALLOWANCE-RECOVERIES			
	ALLOW FOR DOUBTFUL ACCT			
	HOTEL & OTHER RECEIVABLES			
	INVENTORIES			
1720	INVENTORY FOOD			
1730	INVENTORY-BEVERAGE			
1732	INVENTORY-CHINA/GLASS			
	TOTAL INVENTORIES			

BALANCE SHEET (DETAILED)
COMPANY 167
As of July 31, 2004

ACCOUNT #	DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
	PREPAID EXPENSES & OTHER			
1805.	DEPOSITS			
1810.	PREPAID PROPERTY INS			
1815.	PREPAID LIABILITY INS			
1820.	PREPAID REAL PROPERTY TAX			
1825.	PREPAID LICENSES			
1830.	PREPAID DUES & ADVERTISING			
1830.001	PREPAID HVB DUES			
1840.	PREPAID OTHER			
1840.001	PREPAID MAINT & OTHER CO IIT			
1840.003	PREPAID POSTAGE			
	PREPAID EXPENSES & OTHER R			
	CURRENT ASSETS			
	NON CURRENT ASSETS			
2000.	LAND			
2100	BUILDINGS			
2200	ACCUM DPRN BUILDINGS			
	NBV- BUILDINGS			
2130	FF&E			
2230	ACCUM DPRN FF&E			
	NBV FF&E			
2145	LANDSCAPING			
2245	ACCUM DPRN LANDSCAPING			
	NBV-LANDSCAPING			
	NBV-AUTOS & TRUCKS			

BALANCE SHEET (DETAILED)
COMPANY 167
As of July 31, 2004

ACCOUNT #	DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
2165	TELEPHONE			
2265	ACCUM TELEPHONE			
	NBV-TELEPHONE			
	NBV-SOFTGOODS			
	NBV-DEF MAINT			
	NBV-MECHANICAL EQUIPMENT			
2151	COMPUTER EQUIPMENT			
2251	ACCUM DPRN COMPUTER			
	NBV-COMPUTER EQUIP			
2154	COMPUTER SOFTWARE			
2254	ACCUM DPRN SOFTWARE			
	NBV-SOFTWARE			
	CIP MATERIALS			
	CIP SUBCONTRACT			
	TOTAL CIP			
	NET BOOK VALUE-FIXED ASSETS			
	OTHER ASSETS			
	OTHER ASSETS			
	TOTAL ASSETS			

BALANCE SHEET (DETAILED)
COMPANY 167
As of July 31, 2004

ACCOUNT #	DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
	LIABILITIES			
	CURRENT LIABILITIES			
	ACCOUNTS PAYABLE			
3010.	ACCOUNTS PAYABLE			
3040.	A/P OTHER			
3040.001	A/P CONCESSIONAIRES			
3042	RETENTION PAYABLE			
3043	A/P ONI/REIMARK			
	TOTAL ACCOUNTS PAYABLE			
	ACCRUED P/R & RELATED			
3110.	ACCRUED SALARIES & WAGES			
3115.	UNCLAIMED WAGES			
3122.	EMP FICA WITHHELD			
3124.	EMP FMH WITHHELD			
3125.	EMP SWH WITHHELD			
3130.	EMP 401K WITHHELD			
3132.	EMP GARNISHMENT WITHHELD			
3135.	EMP CAFETERIA PLAN W/H			
3138.	HAWAII UNITED WAY WITHHELD			
3140.	EMP CREDIT UNION WITH			
3144.	L/T DISABILITY			
3162.	ACC FICA TAXES ER			
3164.	ACC FUTA			
3166.	ACC SUTA			
3168.	ACCRUED PENSION			
3169.	ACCRUED PROFIT SHARING			
3169.401	ACCRUED 401 (K) MATCH			
3169.599	ACCRUED 401 (K) FIXED			
3170.	ACCRUED MEDICAL DENTAL LIFE			
3172.	ACC TDI			
3174.	ACCRUED WORKERS COMP			
3176.	ACCRUED VACATION			
3178	ACCRUED BONUSES			
3180	LOCAL 5 AFL/CIO WITHHELD			
	ACCRUED P/R & RELATED			

BALANCE SHEET (DETAILED)
COMPANY 167
As of July 31, 2004

ACCOUNT #	DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
	ACCRUED LIABILITIES			
3045	ACCRUED LIABILITIES			
3220.	ACC HI GRH EXCISE TAX			
3220.001	ACC IMPORT TAX			
3225.	ACC TRANSIENT ACCOM TAX			
3250.	ACCRUED LIQUOR LICENSE			
3259	ACCRUED ENERGY			
3260.	ACCRUED EXPENSES			
3030.1165	CAR PACKAGE			
3030.9165	GOLF PACKAGE			
3260.006	ACCRUED ROOMS LINEN			
3260.008	ACCRUED ROOMS UNIFORMS			
3260.009	ACCRUED F&B LINEN			
3260.010	ACCRUED F&B CHINA			
3260.011	ACCRUED F&B UNIFORMS			
3264	ACCRUED MARRIOTT FEES			
	BWH CLEARING			
3325	BANQUET TIPS			
3330	VALET TIPS			
3335	RESTAURANT TIPS			
3350	PORTERAGE TIPS			
3355	PORTERAGE TIP			
3356	PORTERAGE TIP REV CLEARING			
	TIP LIABILITIES			
	ACCRUED LIABILITIES			
	LONG TERM DEBT CURRENT			
3500.	RESERVATIONS DEPOSITS			
	OTHER DEPOSITS			
3994.	F&B GIFT CERTIFICATES			
	DEPOSITS-OTHER			

BALANCE SHEET (DETAILED)
COMPANY 167
As of July 31, 2004

ACCOUNT #	DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
	INTERCOMPANY PAYABLE			
3890.	A/P ORH			
3890.001	A/P ORH - (BASIS ADJ)			
3890.901	A/P ORH RETAIL LEASING			
3890.1200	A/P ORH CITY LEDGER			
3890.3500	A/P ORH REZ DEPOSITS			
3890.926	A/P ORH HR COMP & BENE			
3890	A/P ORH HOLDING LLC			
	INTERCOMPANY PAYABLE			
	CURRENT LIABILITIES			
	NONCURRENT LIABILITIES			
	SECURITY DEPOSITS			
3960.	SECURITY DEPOSIT CONCESS			
3965.	SECURITY DEPOSITS OTHER			
	SECURITY DEPOSITS			
3994.001	DEFFERED INCOME BARTER			
3893	MORTGAGE PAYABLE-DUE TO [ILLEGIBLE]			
	NONCURRENT LIABILITIES			
	LIABILITIES			

BALANCE SHEET (DETAILED)
COMPANY 167
As of July 31, 2004

ACCOUNT #	DESCRIPTION	CURRENT YEAR	PRIOR MONTH	PRIOR YEAR
	EQUITY			
	ORH HOLDING LLC 100%			
4009.02	ORH HOLDING APIC			
4009.03	ORH HOLDING PY EARNINGS			
4009.04	ORH HOLDING PY			
4009.06	ORH HOLDING CY EARNINGS			
	TOTAL EQUITY			
	TOTAL LIABILITIES & EQUITY			

EXHIBIT C
Example of Cancellation Fee

Estimated Management Fees Per Annum: 1,190,000

Year	Factor	Estimated Cancellation Fee
1-10	8	$ 9,520,000
11	5	$ 5,950,000
12	4	$ 4,760,000
13	3	$ 3,570,000
14	2	$ 2,380,000
15	1	$ 1,190,000
16 +		

EXHIBIT D

COST ITEM	Amount (000's)	
Portion of Hotel included in Retail Construction Contract	40,626	
Hotel Towers Contract	40,809	
Construction Lenders' Loan Fee	518	
Construction Interest from Inception to Second Tower Opening	1,559	(excludes interest costs while equity is available)
Interest Reserve per Construction Loan Commitment	(included above)	
Secured Capital Fees (including debt and equity placement)	476	
Lenders' Closing Costs	100	
Subtotal	84,088	
Hotel Apartment's Portion of Chilled Water System	4,639	
Total Cost	88,728	

EXHIBIT E

Payment of Construction Costs and Use of Construction Loan Proceeds

1. Operator has paid to the Commencement Date, and from and after the Commencement Date shall pay, on behalf of Owner when due and in accordance with the Construction Contract and the terms of the Construction Loan, all costs of constructing the Project, including those under the Construction Contract and related subcontracts, the Turnkey Agreement and the Reimbursement Agreement.

2. Owner shall reimburse Operator for such costs of construction without additional consideration; provided, however, that, (a) the first $36,960,000.00 of such costs shall be paid from funds held by ESW LLC; (b) the funds from the Construction Loan shall be disbursed and applied next to such costs, and (c) if and to the extent there are additional costs in excess of those available under (a) and (b), all such additional costs shall be paid for by Outrigger Retail LLC, as Guarantor under that certain Guaranty dated as of January 10, 2006.

3. Construction Loan funds shall be disbursed directly to Operator, as and when needed, for purposes of constructing the Project in accordance with the Construction Budget, subject to the following:

(a) For purposes of this Section 3 of this Exhibit E. Owner shall act through American Assets, Inc., Attn.: Brandon Taylor

(b) Operator shall submit to Owner a draw request, which has been prepared to industry-standard financing standards, including (if and as required by the Construction Loan lender (the **"Lender")**) third-party verifications and lien releases.

(c) Owner shall have the right to approve of the each draw request as set forth in Section 24.4 of this Agreement; provided however, that, if the Lender approves a disbursement to Operator to cover costs of development and construction work that are to be reimbursed by funds from the Construction Loan, then Owner shall be deemed to have approved such disbursement upon the approval of the Lender, unless the requested disbursement exceeds the applicable line item Budget amount by more than twenty percent (20%). In such event, Owner shall have the right to review and approve or disapprove of the submittal as set forth in Section 24.4 of this Agreement, notwithstanding the Lender's actions with regard thereto.

4. Owner and Operator believe that no general excise tax should be due or payable on the reimbursements by Owner to Operator for such construction costs, which are being paid without additional consideration. However, in the event general excise tax is imposed or payable on such reimbursements, Owner shall be responsible for the same.

FRANCHISE LICENSE AGREEMENT

EMBASSY SUITES - WAIKIKI BEACH WALK

HONOLULU, HAWAII

TABLE OF CONTENTS

FRANCHISE LICENSE AGREEMENT

Dated as of the date set forth on the Rider attached hereto as Attachment B (the "Rider") between the licensor entity set forth on the Rider ("we," "us," "our" or "Licensor"), and the licensee entity ("you," "your" or "Licensee"), the name and address of which is set forth on the Rider.

INTRODUCTION

We are a subsidiary of Hilton Hotels Corporation, a Delaware corporation (**"HHC"),** HHC and its subsidiaries and affiliates (collectively, **"Hilton")** own, lease, operate, manage and provide various services for a network of hotels, inns, conference centers, time share properties and other operations (the **"Network")**. HHC and Hilton Hospitality, Inc., a wholly owned subsidiary of HHC, have authorized us to grant licenses to selected, first-class, independently owned or leased hotel properties, to operate under the brand name set forth in the Rider (the **"Licensed Brand")**. You have expressed an interest in operating the property identified on the Rider under the Licensed Brand. You have confirmed to us that you (i) independently investigated the risks of operating a hotel under the Licensed Brand, including current and potential market conditions, and competitive factors and risks, and have made an independent evaluation of all such matters, and (ii) reviewed our uniform franchise offering circular **("UFOC")**. After doing so, you have expressed a desire to enter into a Franchise License Agreement with us to obtain a license to use the Licensed Brand in the operation of a hotel at the address set forth on the Rider.

NOW, THEREFORE, in consideration of the premises and the undertakings and commitments of each party to the other party as set forth in this agreement (the "**Agreement**"), the parties agree as follows:

1. Definitions

The following capitalized terms will have the meanings set forth after each term:

a. The Hotel. The Hotel is the property you will operate under this Agreement. The **"Hotel"** includes all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas located on the site we have approved for your business, or located on any land we approve in the future for additions, signs, parking or other facilities.

b. The Marks. References to the **"Marks"** will include the Licensed Brand service marks and all other service marks, copyrights, trademarks, logos, insignia, emblems, symbols, designs, slogans, distinguishing characteristics, trade names, domain names, and all other marks or characteristics associated or used with or in connection with the System (as we define that term in Subparagraph 1c.), and similar intellectual property rights, that we designate from time to time to be used in the System.

c. The System. The **"System"** is the elements we designate from time to time to identify hotels operating under the Licensed Brand that provide to the consuming public a similar, distinctive, high quality hotel service. **"System hotels"** means hotels we license to operate under the System and to use the Licensed Brand name. The System currently includes the Licensed Brand and the Marks; access to a reservation service; advertising, publicity and other marketing programs and materials; training programs and materials, standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel, we refer to in this Agreement or in the Manual (as defined in Subparagraph 1.d.)

and programs for our inspecting the Hotel and consulting with you. We may add elements to the System or modify, alter or delete elements of the System at our sole discretion.

d. The Manual. References to the "Manual" will include all written standards and requirements we adopt from time to time for constructing, equipping, furnishing, supplying, operating, maintaining and marketing System hotels, including the Hotel. Changes made in the Manual will apply to System hotels as specified and may not apply to all System hotels. We may set forth these standards and requirements in one or more documents or guides. All of these items, as we modify them from time to time, will be considered the Manual. We will change the Manual from time to time. We will notify you at least thirty (30) days before any change becomes effective. You will be responsible for the costs of complying with the Manual, including any changes.

e. Including. The word **"including,"** whenever used in this Agreement, will mean "including, by way of example, but without limitation."

f. License Term. References to the **"License Term"** will mean the period from the date of this Agreement through the expiration of this Agreement.

2. Grant of License

Paragraph 2 of the Franchise License Agreement is deleted in its entirety, and a new Paragraph 2 has been inserted in its place on Attachment B – Rider to Franchise License Agreement

3. Our Responsibilities

a. Training. We will specify required and optional training programs and provide these programs at various locations. We may charge you for (i) required training services and materials and (ii) optional training services and materials we provide to you. You are also responsible for all travel, lodging and other expenses you or your employees incur in attending these programs.

b. Reservation Services. We will, directly or indirectly, furnish you with the Reservation Service (as defined in Subparagraph 6a(15) below). This service will be furnished to you on the same basis as is furnished to other System hotels, subject to the provisions of Subparagraph 14.a.(3) below.

c. Consultation. We may, from time to time at our sole discretion, make available to you consultation and advice in areas such as operations, facilities, and marketing on the same basis as other Licensed Brand hotels. We have the right to establish fees in advance or on a project-by-project basis, for consultation and advice you request.

d. Arrangements for Marketing, Etc. Periodically, we or one of the Entities will publish and make available to the traveling public a directory of System hotels, including the Hotel. Additionally, we will include the Hotel, or cause the Hotel to be included in (i) national or regional group advertising of System hotels, and (ii) international, national and regional market programs offered by us or the Entities; subject to and in accordance with the general practice for System hotels.

We will use your Monthly Program Fee (as defined in Subparagraph 7.a. below) to pay for various programs to benefit the System, including (i) advertising, promotion, publicity, public relations, market research, and other marketing programs; (ii) developing and maintaining Licensed Brand directories and Internet sites; (iii) developing and maintaining the Reservation Service systems and support; and (iv) administrative costs and overhead related to the administration or direction of these projects and programs. We will have the sole right to determine how we spend these funds, including sole control over the creative concepts, materials and media used in the programs, and the placement and allocation of advertising. We may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity, including our affiliates. You acknowledge that Monthly Program Fees are intended for the benefit of the

System, and will not simply be used to promote or benefit any one property or market. We will have no obligation in administering any activities paid by the Monthly Program Fee to make expenditures for you which are equivalent or proportionate to your payments, or to ensure that the Hotel benefits directly or proportionately from such expenditures. We may create any programs and allocate monies derived from Monthly Program Fees to any regions or localities, as we consider appropriate in our sole judgment. The aggregate of Monthly Program Fees paid to us by System hotels does not constitute a trust or "advertising fund" and we are not a fiduciary with respect to the Monthly Program Fees paid by you and other System hotels. We are not obligated to expend funds in excess of the amounts received from System hotels. If any interest is earned on unused Monthly Program Fees, we will use the interest before using the principal. The Monthly Program Fee does not cover your costs of participating in any optional marketing programs and promotions offered by us or Hilton from time to time in which you voluntarily choose to participate. These fees also do not cover the cost of operating the Hotel in accordance with the standards in the Manual.

e. Inspections/Compliance Assistance. We will administer a quality assurance program for the System which may include conducting periodic inspections of the Hotel and guest satisfaction surveys and audits to ensure compliance with System standards. We have the right to inspect the Hotel and its operations at any time, with or without prior notice to you, and to determine if the Hotel is in compliance with the standards and rules of operation set forth in this Agreement and in the Manual. If the Hotel fails to comply with such standards and rules of operation, we may, at our option and at your cost, require an action plan to correct the deficiencies. You must then take all steps necessary to correct any deficiencies within the times we establish. You may be charged a fee **("Quality Assurance Re-Evaluation Fee"),** and you will provide complimentary accommodations for the quality assurance auditor, each time we conduct a special on-site quality assurance re-evaluation (a) after the Hotel has failed a regular quality assurance evaluation or (b) to verify that deficiencies noted in a quality assurance evaluation report or property improvement plan have been corrected or completed by the required dates. The Quality Assurance Re-Evaluation fee is subject to change by us from time to time provided that any change will be established in the Manual. Our approval of an action plan does not waive any rights we may have under this Agreement, nor does it relieve you of any obligations under this Agreement. We will also have the right to place materials required for System and Hilton purposes at the Hotel.

f. Manual. We will issue the Manual to you, and any revisions and updates we may make to the Manual.

g. Equipment and Supplies. We will make available to you for use in the Hotel various purchase, lease, or other arrangements with respect to exterior signs, operating equipment, operating supplies, and furnishings, which we or Hilton may have and which we make available to other System hotels.

4. Proprietary Rights

You acknowledge, and will not contest, either directly or indirectly during the License Term or after termination or expiration of this Agreement: (i) our (and/or any Entities') ownership of, rights to and interest in the System, Licensed Brand, Marks and any of their element(s) or component(s), including present and future distinguishing characteristics; (ii) our sole right to grant licenses to use all or any element(s) or component(s) of the System; (iii) that we (and/or the Entities) are the owner of (or the licensee of, with the right to sub-license) all right, title and interest in and to the Licensed Brand and the Marks used in any form and in any design, alone or in any combination, together with the goodwill they symbolize; and (iv) the validity or ownership of the Marks. You acknowledge that these Marks have acquired a secondary meaning which indicates that the Hotel, Licensed Brand and System is operated by or with Hilton's approval. All improvements and additions to, or associated with, the System, all Marks, and all goodwill arising from your use of the System and the Marks, will inure to our benefit and become our property (or the Entities), even if you develop them. At our request, you will promptly assign to us any rights or registrations to the Marks that you may obtain. You acknowledge that you are not entitled to receive any payment or other value from us or any of the Entities for any goodwill associated with your use of the System or the Marks, or any element(s) or component(s) of the System.

5. Proprietary Marks

a. Use of Trade Name. You will operate under, and prominently display, the Marks in the Hotel. You will not adopt any other names in operating the Hotel that we do not approve. You also will not use any of the Marks, or the word "Hilton," or other Network trademarks, trade names or service marks, or any similar word(s) or acronyms, in (i) your corporate, partnership, business or trade name except as we provide in this Agreement or the Manual, or (ii) any Internet-related name (including a domain name), except as we provide in this Agreement or in the Manual, or (iii) any business operated separately from the Hotel, including the name or identity of developments adjacent to or associated with the Hotel. You agree that any unauthorized use of the Marks will be an infringement of our rights and a material breach of this Agreement.

b. Trademark Disputes. We and you each agree that the protection of the Marks and their distinguishing characteristics as standing for the System is important to all of us. Accordingly, you will immediately notify us of any infringement or dilution of or challenge to your use of any of the Marks and will not, absent a court order or our prior written consent, communicate with any other person regarding any such infringement, dilution, challenge or claim. We will take the action we deem appropriate with respect to such challenges and claims and have the sole right to handle disputes concerning use of all or any part of the Marks or the System. You will extend your full cooperation to us at your expense in these matters. You appoint us as your exclusive attorney-in-fact, to prosecute, defend and/or settle all disputes of this type at our sole discretion. You will sign any documents we believe are necessary to prosecute, defend or settle any dispute or obtain protection for the Marks and the System and assign to us any claims you may have related to these matters. Our decision as to the prosecution, defense and settlement of the dispute will be final. All recoveries made as a result of disputes regarding use of all or part of the System or the Marks will be for our account.

c. Web Sites. You may not register, own, maintain or use any domain names, World Wide Web or other electronic communications sites (collectively, **"Site(s)"),** relating to the Network or the Hotel or that include the Marks. The only domain names, Sites, or Site contractors that you may use relating to the Hotel or this Agreement are those assigned or otherwise approved in writing by us. You also agree to obtain our prior written approval concerning any third-party Site in which the Hotel will be listed, and any proposed links between such Site and any other Site(s) **("Linked Sites")** and any proposed modifications to same. All Sites containing any of the Marks and any Linked Sites must advertise, promote, and reflect on the Hotel and the System in a first-ciass, dignified manner. You acknowledge and agree that our right to approve all materials is necessitated by the fact that those materials will include and be linked with our Marks. Therefore, any use of the Marks on the World Wide Web, the Internet, or any computer network/electronic distribution, must conform to our requirements, including the identity and graphics standards for all System hotels. Given the changing nature of this technology, we have the right to withhold our approval, and to withdraw any prior approval, and to modify our requirements.

You acknowledge that you may not, without a legal license or other legal right, post on your Site(s) any material in which any third party has any direct or indirect ownership interest (including video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third party may claim intellectual property ownership interests). You also agree to incorporate on your Site(s) any other information we require in the manner we deem necessary to protect our Marks.

Upon the expiration or termination of this Agreement, you agree to irrevocably assign and transfer to us (or to our designee) all of your right, title and interest in any domain name listings and registrations which contain any reference to our Marks, System, Network or Licensed Brand, and will notify the applicable domain name registrar(s) of the termination of your right to use any domain name or Site(s) associated with the Marks or the Licensed Brand, and will authorize and instruct the cancellation or transfer of the domain name to us (or our designee), as directed by us. You will also delete all references to our Marks, System, Network or Licensed Brand from any other Site(s) you own, maintain or operate beyond the expiration or termination of this Agreement.

d. Covenant. You agree, as a direct covenant with Hilton, that you will comply with all of the provisions of this Agreement related to the manner, terms and conditions of the use of the Marks, and the termination of any right on your part to use any of the Marks. You agree that any non-compliance by you with this covenant, the terms of this Agreement, or any unauthorized or improper use of the System or the Marks will cause irreparable damage to us and/or to the Entities. You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the System or the Marks during or after the License Term, Hilton, its successors and assigns, separately or along with us, will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies that Hilton or we may have at law. You consent to the entry of such temporary and permanent injunctions. You will be responsible for payment of all costs and expenses, including, reasonable attorneys' fees, which we and/or Hilton and/or the Entities may incur in connection with your non-compliance with this covenant.

6. Your Responsibilities

a. Operational and Other Requirements. During the License Term, you agree to:

(1) promptly pay to us, or reimburse us for, all amounts due to us and/or Hilton as Monthly Royalty Fees, Monthly Program Fees, and other charges, or for goods or services purchased by you or your agents, including those set forth in Paragraph 7 below;

(2) operate the Hotel twenty-four (24) hours a day every day, except as we may otherwise permit based on special circumstances;

(3) operate, furnish, maintain and equip the Hotel in a clean, safe and orderly manner and in first-class condition in accordance with the provisions of this Agreement and the Manual, and in compliance with all applicable local, state, and federal laws, customs and regulations, including maintaining and conducting your business in accordance with sound business and financial practices;

(4) provide efficient, courteous and high-quality service to the public;

(5) adopt, use and comply with the standards, requirements, services, products, programs, materials, specifications, policies, methods, procedures, and techniques set forth in the Manual, as it may be amended by us from time to time, and keep your Manual current at all times;

(6) comply with System standards, specifications and requirements regarding the purchase of products and services, including furniture, fixtures, equipment, food, operating supplies, consumable inventories, merchandise for resale to be used at, and/or sold from, the Hotel, in-room entertainment, computer networking, and any and all other items used in the operation of the Hotel (collectively, the **"Supplies"),** including our specifications for all Supplies. We may from time to time require you to purchase a particular brand of product **("Required Brand"),** however, you may purchase this Required Brand from any authorized source of distribution;

(7) comply with System standards, specifications and requirements as to the types and levels of services, amenities and products that either must or may be used, promoted or offered at or in connection with the Hotel;

(8) install, display, and maintain signage displaying or containing the Licensed Brand name and other distinguishing characteristics in accordance with plans, specifications and standards we establish for System hotels;

(9) comply with System requirements for the training of persons involved in the operation of the Hotel, including completion by the general manager and other key personnel of the Hotel of a training program for operation of the Hotel under the System at a site we designate, except that If, in our sole opinion, it is not necessary or desirable for the general manager or any other key personnel of the Hotel to complete that training program, then we may waive this requirement in whole or in part. You will

pay us for all fees and charges, if any, we require for your personnel to attend these training program(s) on the same basis as we charge other System hotels. You will also be responsible for the wages, room, board and travel expenses of your personnel;

(10) purchase and maintain property management, revenue management, in-room entertainment, telecommunications and other computer and technology systems we designate as System-wide (or area-wide) programs based on our assessment of the long-term best interests of hotels using the System, considering the interest of the System as a whole;

(11) advertise and promote the Hotel and related facilities and services on a local and regional basis in a first-class, dignified manner, using our identity and graphics standards for all System hotels, at your cost and expense. You agree to submit to us samples of all advertising and promotional materials that we have not previously approved (including any materials in digital, electronic or computerized form, or in any form of media that exists now or is developed in the future) before you produce or distribute them. You will not begin using the materials until we approve them. You also agree to immediately discontinue your use of any advertising or promotional materials we reasonably believe is not in the best interest of the Hotel or System, even if we previously approved the materials;

(12) participate in, and pay all charges in connection with (i) all required System guest complaint resolution programs, which programs may include chargebacks to the Hotel for guest refunds or credits, and (ii) all required System quality assurance programs, such as guest comment card and mystery shopper programs; and maintain minimum performance standards and scores for such quality assurance programs that we may establish from time to time in the Manual;

(13) comply with System standards, specifications and requirements as to maintenance, appearance and condition of the Hotel, and adopt in your business all changes or additions to the System as we may periodically designate;

(14) honor all nationally recognized credit cards and credit vouchers issued for general credit purposes which are generally honored at other System hotels, and enter into all necessary credit card and voucher agreements with the issuers of such cards or vouchers;

(15) participate in and use, on the terms set forth in this Agreement and in the Manual, those reservation services which we require (the **"Reservation Service"),** including any additions, enhancements, supplements or variants which we or the Entities develop or adopt; and honor and give first priority on available rooms to all confirmed reservations referred to the Hotel through the Reservation Service. You agree that the only reservation service or system you may use in regard to outgoing reservations referred by and from the Hotel to other hotels will be the Reservation Service or other reservation services we or the Entities designate;

(16) comply with all governmental requirements, including the filing and maintenance of any required trade name or fictitious name registrations, pay all taxes, and maintain all governmental licenses and permits necessary to operate the Hotel in accordance with the System;

(17) permit inspection of the Hotel by our representatives at any time to ensure compliance with System standards, cooperate fully with our representatives during these inspections and take all steps necessary to correct any deficiencies detected within the time periods we specify. You will also provide free lodging to our personnel at the Hotel while they are making their inspections on a space-available basis;

(18) provide to us statistics on Hotel operations in the form we specify and using definitions we specify;

(19) not engage, directly or indirectly, in any cross-marketing or cross-promotion of the Hotel with any other hotel, lodging or related business, except for Affiliated Hotels (as defined in Subparagraph 6.a.21), without our prior written consent;

(20) participate in, and pay all fees of, any System travel agent commission payment program(s) as modified from time to time, and promptly pay as we require in the Manual and/or specific program terms, all travel agent commissions and third party reservation service charges (such as airline reservation systems) in accordance with the terms of these programs;

(21) refer guests and customers, wherever reasonably possible, only to, Licensed Brand, Network, Hilton International, and Conrad International hotels (collectively, the **"Affiliated Hotels")** and (if and as we direct) any other hotel systems owned or licensed by us and/or the Entities (each, an **"Other Hotel")** (except that this will not prohibit us from requiring you to participate in programs designed to refer prospective customers to other hotels, whether in the System or otherwise); display all material, including brochures and promotional material we provide for Affiliated Hotels and Other Hotel Systems; and allow advertising and promotion only of Affiliated Hotels and Other Hotel Systems on the Hotel premises;

(22) treat as confidential the Manual, and all other information or materials concerning the methods, techniques, plans, specifications, procedures, information, systems and knowledge of and experience in the development, operation, marketing and licensing of the System (the "**Proprietary Information**"). You acknowledge and agree that you: (i) do not acquire any interest in Proprietary Information other than the right to utilize the same in the development and operation of the Hotel under the terms of this Agreement, (ii) will not use the Proprietary Information in any business or for any purpose other than in the development and operation of the Hotel under the System, (iii) will maintain the absolute confidentiality of the Proprietary Information during and after the License Term, (iv) will not make unauthorized copies of any portion of the Proprietary Information, and (v) will adopt and implement all reasonable procedures we may periodically establish to prevent unauthorized use or disclosure of the Proprietary Information, including restrictions on disclosure to employees and the use of non-disclosure and non-competition clauses in agreements with employees, agents and independent contractors who have access to the Proprietary Information. These restrictions will not apply to any information that does not relate or refer in any way or part to the System, Manual, Licensed Brand and/or Marks and that you can demonstrate came lawfully to your attention before our disclosure or which, at the time of or after our disclosure, becomes a part of the public domain through lawful publication or communication by others;

(23) not own, at any time during the term of this Agreement, in whole or in part, or be the licensor of, a hotel brand, or trade name, either directly or through an Affiliate as defined in Subparagraph 11.b.(2)(a)(i)of this Agreement, without our prior written consent. Any entity that, directly or through an Affiliate, owns in whole or in part, or is the licensor or other owner of a hotel brand or trade name (whether or not licensed) that, in our judgment, competes with the System, irrespective of the number of hotels comprising the competitive hotel brand or trade name will be referred to as a **"Competitor",** These restrictions do not restrict you or your Affiliate from (i) owning a minority interest in a Competitor if you or your Affiliate do not provide services to the Competitor (including as a consultant or employee), do not have any officer, director, or similar position with the Competitor, and have no control or influence in the business decisions of the Competitor; (ii) being a licensee of a Competitor; or (iii) managing a property for a Competitor. **You have advised us that you and/or your Affiliate(s) currently own the hotel brand names "Outrigger" and "Ohana" (collectively, the "Outrigger Brands"). Notwithstanding anything to the contrary in this subparagraph, we will not consider you to be a Competitor solely as a result of your owning and/or operating hotels under the Outrigger Brands, provided that, and so long as, you (and/or your Affiliates) do not, directly or indirectly, do the following anywhere in North American (including the Hawaiian Islands):**

x) have or develop a franchising or similar program for the Outrigger Brands; or

y) license to third parties the right to use any of the Outrigger Brands except in conjunction with providing hotel management services to such third parties; or

z) on the Hawaiian Islands only, include hotels with third party owned brand names that are owned and operated by third parties deemed by us to be a Competitor in your or your Affiliate(s) reservation system whether through an affiliation or membership agreement or otherwise.

(24) own fee simple title (or long-term ground leasehold interest, provided that such interest has been granted to you by an unrelated third party ground lessor in an arms length transaction for a term equal to, or longer than, the License Term) to the real property and improvements of the Hotel, or, at our request, cause the fee simple owner or other third party acceptable to us, to provide its guarantee covering all of your obligations under this Agreement in form and substance acceptable to us;

(25) maintain possession and control of the Hotel and Hotel site, and promptly deliver to us a copy of any notice of default you receive from any mortgagee, trustee under any deed of trust, or ground lessor for the Hotel, and upon our request, provide any additional information we may request related to any alleged default or any subsequent action or proceeding in connection with any alleged default;

(26) refrain from directly or indirectly conducting, or permitting by lease, concession arrangement or otherwise, gaming or casino operations in the Hotel or on its premises without our express written permission, which we may withhold at our sole discretion, and then only to the extent and subject to the terms set forth in such permission;

(27) refrain from directly or indirectly conducting, or permitting the marketing or sale of timeshares or condominiums at, or adjacent to, the Hotel without our express written permission, which we may withhold at our sole discretion, and then only to the extent and subject to the terms set forth in such permission; provided, however, that the foregoing shall not prohibit you from directly or indirectly conducting timeshare or condominium sales or marketing at and for any property located adjacent to the Hotel that is owned or leased by you so long as (i) you do not use any of the Marks in such sales or marketing efforts and (ii) you do not use the Hotel or its facilities in such sales, marketing efforts or business operations;

(28) obtain and maintain in full force and effect from and after the confirmed Opening Date of the Hotel as set forth in Attachment A (conditional or otherwise) all licenses required for the sale of alcoholic beverages at the Hotel (unless no alcoholic beverages are offered at or from the premises of the Hotel);

(29) promptly provide to us or Hilton all information we reasonably request with respect to you and your affiliates, including your respective officers, directors, shareholders, partners or members, and/or the Hotel, title to the property on which the Hotel is constructed and any other property used by the Hotel. The information requested may include, but not necessarily be limited to, financial condition, personal and family background, litigation, indictments, criminal proceedings and the like in which any of the aforementioned may have been involved;

(30) participate in, and pay, all charges related to (i) our and Hilton's marketing programs (in addition to programs covered by Monthly Program Fees), and (ii) all guest frequency programs we or Hilton require. You also agree to honor the terms of any discount or promotional programs (including any frequent guest program) that we or Hilton offer to the public on your behalf, any room rate quoted to any guest at the time the guest makes an advance reservation, and any award guest certificates issued to Hotel guests participating in these programs;

(31) operate the Hotel so as to maximize Gross Rooms Revenue (as defined in Subparagraph 7.b.) consistent with sound marketing and industry practice and not engage in any conduct that is likely to reduce Gross Rooms Revenue in order to further other business activities; and

(32) maintain, at your expense, insurance, of the types, and in the minimum amounts, we specify in the Manual. All such insurance must (i) be with insurers having minimum ratings we specify, (ii) name as additional insureds the parties we specify in the Manual, and (iii) carry the endorsements and notice requirements we specify in the Manual. If you fail or neglect to obtain or maintain the insurance or policy limits required by this Agreement, we have the option, but not the obligation to obtain and maintain such insurance without notice for you, and you, will immediately upon our demand, pay us the premiums and cost we incur in obtaining this insurance.

b. Hotel Quality Assurance. We may from time to time require you to modernize, rehabilitate and/or upgrade the Hotel's fixtures, equipment, furnishings, furniture, signs, computer hardware and software and related equipment, supplies and other items to meet the then-current standards and specifications specified in the Manual. These standards will benefit the System as a whole and you will make all these changes at your sole cost and expense. Nothing in this paragraph will relieve you from the obligation to maintain acceptable product quality ratings at the Hotel and maintain the Hotel in accordance with the Manual at all times during the Agreement. We may make limited exceptions to some of those standards based on local conditions or special circumstances, but we are not required to do so. You may not make any change in the number of approved guest rooms (the **"Guest Rooms")** set forth in the Rider or any other significant change (Including major changes in structure, design or decor) in the Hotel without our prior written approval. Minor redecoration and minor structural changes that comply with our standards and specifications will not be considered significant.

c. Staff and Management. You are at all times responsible for the management of the Hotel's business. You may fulfill this responsibility only by providing (i) qualified and experienced management, which may be a third-party management company, and (ii) a general manager, (the **"Management"),** each approved by us in writing. However, you represent and agree that you have not, and will not, enter into any lease, management agreement or other similar arrangement for the operation of the Hotel or any part of the Hotel with any person or entity without our prior written consent. To be approved by us as the operator of the Hotel, you or any proposed Management must be qualified to manage the Hotel. We may refuse to approve you or any proposed Management which, in our reasonable business judgment, is inexperienced or unqualified in managerial skills or operating capacity or capability, or is unable to adhere fully to the obligations and requirements of this Agreement. You understand that we reserve the right to not approve a Competitor, or any entity that (through itself or an affiliate) is the exclusive manager for a Competitor, to manage the Hotel. If the Management becomes a Competitor or otherwise becomes unsuitable in our sole discretion to manage the Hotel at any time during the License Term, you will have ninety (90) days to retain qualified substitute Management acceptable to us. Any Management must have the authority to perform all of your obligations under this Agreement, including all indemnity and insurance obligations. In the case of any conflict between this Agreement and any agreement with Management, this Agreement prevails.

7. Fees

a. Intentionally Deleted

b. Determination and Payment of Fees. The monthly fees (described in Subparagraph 7.a.) will be determined in accordance with the accounting methods of then current Uniform System of Accounts for Lodging Industry (currently, the Ninth Revised Edition, 1996), or such other accounting methods as may otherwise be specified by Licensor from time to time in the Manual. **"Gross Rooms Revenue,"** as used in the calculation of the Monthly Royalty Fee and the Monthly Program Fee under the Agreement, means all revenues derived from the sale or rental of Guest Rooms (both transient and permanent) of the Hotel, including guaranteed no-show revenue and credit transactions, whether or not collected, at the actual rates charged, less allowances for any Guest Room rebates and overcharges, and will not include federal, state and local taxes collected directly from patrons or guests. Gross Rooms Revenue will also include the proceeds from any business interruption insurance applicable to loss of revenues due to the non-availability of Guest Rooms. The Monthly Royalty Fee and the Monthly Program Fee will be paid to us at the place we designate on or before the fifteenth (15th) day of each month and will be accompanied by our standard schedule setting forth in reasonable detail the computation of the

Monthly Royalty Fee and Monthly Program Fee for such month. There will be an annual adjustment within ninety (90) days after the end of each operating year so that the total Monthly Royalty Fees and Monthly Program Fees paid annually will be the same as the amounts determined by audit. We reserve the right to require you to transmit the Monthly Royalty Fee and the Monthly Program Fee and all other payments required under this Agreement by wire transfer or other form of electronic funds transfer. You agree to bear all costs of wire transfer or other form of electronic funds transfer.

c. Room Addition Fee. If you desire to add or construct additional Guest Rooms at the Hotel (the "**Room Addition**") at any time after you Open the Hotel under the Licensed Brand, you will pay us a nonrefundable fee equal to the prevailing per Guest Room initial fee charged to System hotels multiplied by the number of additional Guest Rooms ("**Room Addition Fee**"). You must pay the Room Addition Fee to us when you submit an application for the Room Addition, and you must submit that application to us before you enter into any agreement to construct the Room Addition. As a condition to our granting approval of your Room Addition application, we may require you to modernize, rehabilitate or upgrade the Hotel, subject to Subparagraph 6.b. of this Agreement.

d. Other Fees. You will timely pay all amounts due any of the Entities for any invoices or for goods or services purchased by or provided to you or paid by any of the Entities on your behalf, including pre-opening sales and operations training.

e. Taxes. If any gross receipts, sales, use, excise or any similar tax (the "**Gross Receipts Tax**") is imposed upon Hilton based on any payment(s) made by you to Hilton under this Agreement, then you must reimburse us for any such Gross Receipts Tax to ensure that the amount of your payment(s) we retain after we pay the Gross Receipts Tax, equals the full amount of the payment(s) you are required to pay us under this Agreement had such Gross Receipts Tax not been imposed on Hilton.

This Subparagraph 7.e., does not apply to federal or state income taxes payable by Licensor or Hilton as a result of its net income relating to any fees collected under this Agreement.

f. Application of Fees. We may apply any amounts received under this Paragraph 7 to any amounts due under this Agreement. If any amounts are not paid when due, such non-payment will constitute a material breach of this Agreement and, in addition, such unpaid amounts will accrue a service charge beginning on the first day of the month following the due date of one and one-half percent (1 1/2%) per month or the maximum amount permitted by applicable law, whichever is less. Should we hire counsel to collect any amounts due under this Agreement, and/or any late charges, you will pay our reasonable attorneys' fees.

8. Records and Audits

a. Reports. At our request, you will prepare and deliver to us daily, monthly, quarterly and annual operating statements, profit and loss statements, balance sheets, and other reports (the "**Reports**") we require, prepared in the form, and by the methods and within the time frames, we require in the Manual. The reports will contain all information we require, including daily rate and room occupancy, and will be certified as accurate in the manner we require. You will also provide us any additional related information and Reports we may periodically request and permit us to inspect your books and records at all reasonable times. At least monthly, you will prepare a statement that will include all information concerning Gross Rooms Revenue, other revenues generated at the Hotel, room occupancy rates, reservation data and other information we require (the "**Data**"). By the fifteenth (15th) day of each month, you will submit to us a statement setting forth the Data for the previous month and reflecting the computation of the amounts then due under Paragraph 7, in the form and detail we reasonably request.

b. Maintenance of Records. You will, in a manner and form satisfactory to us and using accounting and reporting standards we reasonably require, prepare on a current basis (and preserve for no less than the greater of four (4) years or our record retention requirements), complete and accurate records concerning Gross Rooms Revenue and all financial, operating, marketing and other aspects of

the Hotel, and maintain an accounting system that fully and accurately reflects all financial aspects of the Hotel and its business. These records will include books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (including profit and loss statements, balance sheets and cash flow statements).

c. Audit. We may require you to have the Gross Rooms Revenue or other monies due to us computed and certified as accurate by a certified public accountant. During the License Term and for two (2) years thereafter, we and our authorized agents will have the right to verify information required under this Agreement by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above wherever they may be located (or elsewhere if requested by us). If any inspection or audit reveals that you understated or underpaid any payment due to us that is not fully offset by overpayments, you will promptly pay to us the deficiency plus interest from the date each payment was due until paid at a rate of one and one-half percent (1 ½%) per month or the maximum amount permitted by applicable law, whichever is less. If the audit or inspection reveals that the underpayment is either willful, or is for five percent (5%) or more of the total amount owed for the period being inspected, you will also reimburse us for all inspection and audit costs (including reasonable travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel). Our acceptance of your payment of any deficiency will not condone your breach of this Agreement, or waive that breach, or any rights we may have for your breach, including our right to terminate this Agreement as provided in Paragraph 14. If the audit discloses an overpayment, we will credit this overpayment against your future payments under this Agreement, without interest, or if no future payments are due under this Agreement, we will promptly pay you the amount of the overpayment without interest.

d. Ownership of Information. All of the information we obtain from you or about the Hotel or its guests under this Agreement, or under any agreement ancillary to this Agreement (including agreements relating to the computerized reservation, revenue management, property management, and other system(s) we provide or require), or otherwise related to the Hotel (the "**Information**"), and all revenues we derive from such Information will be our property. However, you may at any time during or after the License Term use to the extent lawful and at your sole risk and responsibility any information that you acquire from third parties in operating the Hotel, such as customer data. The Information (except for information you provide to us or Hilton with respect to you and your affiliates, including your respective officers, directors, shareholders, partners or members) will become our Proprietary Information which we may use for any reason as we deem necessary or appropriate, in our discretion, including making an earnings claim in our UFOC.

9. Indemnity

You agree, during and after the License Term, to indemnify us and the Entities, and our successors and assigns, and the members, officers, directors, employees, agents, predecessors, successors and assigns of each such entity (the "**Indemnified Parties**") against, and hold them harmless from, all losses, costs, liabilities, damages, claims, and expenses, including reasonable attorneys' fees, arising out of or resulting from (i) any claimed occurrence at the Hotel or arising from, as a result of, or in connection with the development, construction or operation of the Hotel (including the design, construction, financing, furnishing, equipment, acquisition of Supplies or operation of the Hotel in any way); (ii) any bodily injury, personal injury, death or property damage suffered by any guest, customer, visitor or employee of the Hotel; (iii) your alleged or actual infringement or violation of any patent, mark or copyright or other proprietary right owned or controlled by third parties; (iv) your alleged or actual violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive applicable to the Hotel, or of any industry standard; (v) any other business conducted by you or a third party in, on or about the Hotel or its grounds; or (vi) any other of your acts, omissions or obligations or those of anyone associated or affiliated with you or the Hotel or in any way arising out of or related to this Agreement. However, you do not have to indemnify us to the extent damages otherwise covered under this Paragraph 9 are adjudged by a court of competent jurisdiction to have been the result of the gross negligence or willful misconduct of any of the Indemnified Parties so long as the claims are not asserted on the basis of (i) theories of vicarious liability, including agency, apparent agency or employment or (ii) our failure to compel you to comply with the provisions of this Agreement. You will give us written

notice of any action, suit, proceeding, claim, demand, inquiry or investigation involving an Indemnified Party within five (5) days of your actual or constructive knowledge of it. At our election, you will defend us and/or the Indemnified Parties against the same, or we may elect to assume (but under no circumstance will we be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation at your expense and risk. We may obtain separate counsel of our choice if we believe your and our interests may conflict. Our undertaking of defense and/or settlement will in no way diminish your obligation to indemnify the Indemnified Parties and to hold them harmless. In either case, you will also reimburse the Indemnified Parties upon demand for all expenses, including reasonable attorneys' fees and court costs the Indemnified Parties incur to protect themselves, or to remedy your defaults. Under no circumstances will the Indemnified Parties be required to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against you, and their failure to do so will in no way reduce the amounts recoverable from you by the Indemnified Parties. Further, you will indemnify the Indemnified Parties for any claim for damages by reason of failure of any contractor, subcontractor, supplier or vendor doing business with you relating to the Hotel to maintain adequate insurance as required in the Manual.

10. Right of First Offer

If you and/or an Affiliate which, directly or indirectly, controls the Hotel and/or controls the entity which owns the Hotel (the "**Controlling Affiliate**"), wants to market the Hotel for sale or lease (other than the commercial space within the Hotel) or to sell the entity that owns the Hotel, or a controlling interest in that entity, or to sell a Controlling Affiliate, or controlling interest in said Controlling Affiliate before you do so, you must first give us written notice (the "**Offer Notice")** of your intent to sell or lease the Hotel or to sell the entity which owns the Hotel or the Controlling Affiliate or a controlling interest in the same (the "**Marketed interest**"), stating your intended sales price and all terms and conditions of the proposed sale or lease, together with all other information regarding the sale or lease that we may require and that is reasonably available to you. We will, within sixty (60) days after our receipt of the Offer Notice, elect by written notice to you, one of the following alternatives:

a. We or our designee(s) may make an offer to you to purchase or lease the Marketed Interest **("Our Offer").** You must accept or reject in writing Our Offer within twenty (20) days after you receive it. If you fail to respond within twenty (20) days, you will be deemed to have accepted Our Offer. However, if Our Offer is for a price equal to, or greater than, the price set forth in the Offer Notice, and is upon substantially similar terms and conditions (or terms and conditions more favorable to you, as determined by a reasonable seller under the same or similar circumstances), then you are obligated to accept Our Offer **(**"**Deemed Accepted Offer**"). You and we each acknowledge and agree that once the Offer Notice has been delivered to us, you may not change any of the terms and conditions set forth in the same without our express written consent and you must deal exclusively with us for the sale or lease contemplated in said Offer Notice.

(1) If you accept Our Offer, you and we (and/or our designee(s)), will promptly, and in all cases within sixty (60) days after you accept Our Offer (the "**60-Day Period**") (or within sixty (60) days of the date you receive written notice of the Deemed Accepted Offer, if applicable), enter into an agreement for the purchase or lease of the Marketed Interest at the price and on the terms contained in Our Offer, and will complete the transaction subject to, and in accordance with, the terms and conditions of Our Offer; provided, however, that if we are unable to reach agreement following good faith negotiations within the 60-Day Period, you will be deemed to have rejected Our Offer. You shall not offer the Marketed Interest to any other party during the 60-Day Period.

(2) If you reject Our Offer, you may, during the **Marketing Period** (as defined in Subparagraph 10.b.), sell or lease the Marketed Interest in an amount that is greater than a nominal amount above one hundred percent (100%) of the price set forth in Our Offer, and upon substantially similar terms or conditions (or more favorable to you, as determined by a reasonable seller under the same or similar circumstances), but you still must comply with the Transfer provisions contained in Paragraph 11 of this Agreement. If you receive additional unsolicited offers for the Marketed Interest after the Offer Notice has been delivered to us, regardless of whether said additional offers are made by the

same or different unrelated third parties, you expressly agree that such additional offers will not be enforceable against us and the same will not have any effect on the terms and conditions set forth in the Offer Notice.

b. We may waive our right to purchase or lease the Marketed Interest. If we fail to respond to you within the sixty (60) day election period, we will be deemed to have waived our right to purchase or lease the Marketed Interest, if we waive our rights, then you are free, for the Marketing Period, to sell or lease the Marketed Interest in an amount that is greater than **ninety** percent (**90%**) of the price, and on substantially similar terms or conditions (or terms and conditions more favorable to you, as determined by a reasonable seller under the same or similar circumstances), as those contained in the Offer Notice. **"Marketing Period"** will mean the earlier of one hundred eighty (180) days from the date of (i) Our Offer, (ii) our waiver or, (iii) expiration of the sixty (60) day period. Any sale or lease by you under this election, still must comply with the transfer provisions of Paragraph 11 of this Agreement.

During the Marketing Period, if you want to market or sell the Marketed Interest at a price that is less than or equal to the applicable percentages in Subparagraphs 10.a. and 10.b., or on terms and conditions that vary materially from those contained in the Offer Notice, you must issue a new Offer Notice to us, and comply again with the provisions of this Paragraph 10.

If you or a Controlling Affiliate receives an unsolicited offer from a third party to purchase or lease the Hotel, or to purchase the entity that owns the Hotel or to purchase the Controlling Affiliate, or a controlling interest in that entity or Controlling Affiliate, then before you accept that offer, you must comply with the Offer Notice and other provisions of this Paragraph 10, as if you had initiated the sale or lease of the Hotel; provided, however, that the Offer Notice must include the name and full identity of the prospective purchaser or tenant, as the case may be, including the names and addresses of the owners of the capital stock, partnership interests, or other proprietary interests of the purchaser or tenant, as well as a copy of the offer that you or the Controlling Affiliate received from the third party, if in writing.

You expressly acknowledge and understand that if we waive our right to purchase or lease the Marketed Interest, that waiver does not waive our right under the provisions of Paragraph 11 of this Agreement to consent, or withhold consent to any transaction, and it remains your obligation to obtain our consent before you complete any such transaction.

For purposes of this Paragraph 10, you represent and warrant that you have the necessary authority to enter into this Agreement on behalf of any Controlling Affiliate and to bind it in accordance with the terms and conditions hereof, including the obligation to sell to us any controlling interest therein.

11. Transfer

a. Our Transfer of this Agreement. We have the right to transfer or assign this Agreement or any of our rights, obligations, or assets under this Agreement to any person or legal entity. You acknowledge and agree that this Agreement is a license for the Licensed Brand only, and the programs that are unique to the Licensed Brand. Therefore, if we transfer or assign this Agreement, your right to use any programs, rights or services related to or provided by the Entities or their designees, including the Reservation Service, any guest frequency program not unique to the Licensed Brand, and any Marks (except the principal name identified in the Rider), may terminate. The transferee must assume all of our obligations to you under this Agreement.

b. Your Transfer. We recognize that at some time, you or other persons associated with you or the Hotel may want to sell or transfer all or part of an interest in this Agreement, the Licensee or in the Hotel. At the same time, you understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we are entering into this Agreement in reliance on your business skill, financial capacity, and personal character (if you are an individual), and that of your officers, directors, partners, members, stockholders or trustees (if you are a partnership, company, corporation, trust or other legal entity). As a result, you agree that if you or other persons associated with you or the Hotel desire to sell, transfer or lease an interest in this Agreement, the Licensee or in the Hotel, or in any

entity that has an interest in this Agreement, the Licensee or the Hotel, you will abide by the terms of this Subparagraph 11.b.

For purposes of this Subparagraph 11.b., the term **"control"** in all its forms, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, or of the power to veto major policy decisions of an entity, whether through the ownership of voting securities, by contract, or otherwise. References in this Agreement to **"Equity Interests"** mean any direct or indirect beneficial interest in the Licensee, the Equity Owners and/or the Hotel (an **"indirect"** interest is an interest in an entity other than the Licensee that either itself, or through others, has an interest in the Licensee). References in this Agreement to **"Equity Owners"** mean the owners of a direct or indirect Equity Interest in the Licensee, the Agreement, and/or in the Hotel. **"Publicly Traded Equity Interest"** means any Equity Interest that is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc., or any of its successors. In computing changes of Equity Interests, limited partners will not be distinguished from general partners except as provided below. General partners, managing members and other controlling interests in Licensee will be considered Equity Owners for purposes of this section, regardless of whether they have any actual ownership interest in the Licensee. Non-voting equity interests may not qualify as an Equity Interest, at our discretion. Our judgment will be final if there is any question as to the definition of Equity Interest or as to the computation of relative Equity Interests. You represent that as of the date of this Agreement the Equity interests are directly and (if applicable) indirectly owned as shown on the Rider.

(1) Transfers That Do Not Require Our Consent or Notification.

(a) **Privately Held Equity Interests: Less than 25% Change/No Change of Control.** Equity interests that are not publicly traded may be transferred by you and the Equity Owners without notice to us and without our consent, if after the transaction: (i) less than twenty-five percent (25%) of all Equity Interests in Licensee will have changed hands since the date of this Agreement, and (ii) there has not been a change of control of the Licensee, of this Agreement or of the Hotel since the date of this Agreement.

(b) **Publicly Held Equity Interests.** Publicly Traded Equity Interests may be transferred without notice to us and without our consent if the transfer does not effectuate a change of control of the Licensee, of this Agreement or of the Hotel since the date of this Agreement.

(c) **Commercial Leases.** You may lease or sublease commercial space in the Hotel that is customarily subject to lease, or enter into concession arrangements in the ordinary course of business at the Hotel, without notice to us and without our consent.

(2) Other Transfers. No other direct or indirect interest in the Hotel or in this Agreement, and no direct or indirect Equity Interest in the Licensee, may be sold, leased, assigned, or transferred in any way (individually or collectively, a **"Transfer")**, except as specifically provided in this Subparagraph 11.b.(2). If you or any Equity Owners want to transfer any Equity Interest, other than in a transaction that meets the requirements of the foregoing clause (1), you must first notify us and you must first obtain our consent.

(a) **Permitted Transfers.** Certain transfers are transfers we describe as **"Permitted Transfers."** We will consent to a Permitted Transfer, so long as you (i) give us sixty (60) days advance written notice of any proposed Permitted Transfer (the **"Permitted Transfer Consent Request")**, and (ii) submit to us a nonrefundable processing fee of Two Thousand Five Hundred Dollars ($2,500) with the Permitted Transfer Consent Request to cover our costs to review the Transfer (except that in the case of a Transfer of Equity interests which requires registration under any federal or state securities law, you must pay us an additional processing fee of Two Thousand Five Hundred Dollars ($2,500) as provided for in Subparagraph 11.b.(3) below), and meet the requirements for the particular Permitted Transfer as described below. **Notwithstanding the foregoing, we hereby agree to a**

one-time waiver of the $2,500 processing fee for any Permitted Transfer that occurs prior to Opening of the Hotel.

(i) Affiliate Transfer. You or any Equity Owners as of the date of this Agreement may sell, lease, transfer or otherwise convey any Equity Interest to an Affiliate (each an **"Affiliate Transfer")**; provided that such event does not, in our opinion, result in a change in the ultimate controlling Equity Owners of the Licensee, this Agreement or the Hotel and the following conditions are met. **"Affiliate"** means, with respect to any entity, any natural person or firm, corporation, partnership, association, trust or other entity which, directly or indirectly, controls, is controlled by, or is under common control with, you or any Equity Owners as of the date of this Agreement. A natural person or entity which has an entity as an Affiliate will also be deemed to be an Affiliate of that entity. We will not withhold our consent to an Affiliate Transfer if (x) you are not then in material default under this Agreement; (y) the Affiliate Transfer is not, directly or indirectly, to a Competitor; and (z) you otherwise satisfy the conditions as set forth in Subparagraphs 11.b.(2)(b)(i)-(vii), (ix) and (x) below that we may require you to satisfy.

(ii) Family Transfers. If you or any Equity Owners as of the date of this Agreement are a natural person, and desire to sell, lease, transfer or otherwise convey any Equity interest to: (x) a member or member of your or any such Equity Owner's immediate family i.e. spouse, children, parents, siblings **("Family Members")** or (y) a trust or trusts for the benefit of Equity Owner or the Equity Owner's Family Member(s) (each, a **"Family Transfer")**, in either case, without causing a change in the ultimate controlling Equity Owners of the Licensee, this Agreement, or the Hotel, we will not withhold our consent to a Family Transfer if you otherwise satisfy the conditions set forth in Subparagraphs 11.b.(2)(b)(i)-(vii), (ix), and (x) below that we may require you to satisfy.

(iii) Transfer Upon Death. Upon the death of a Licensee or Equity Owner, this Agreement or the Equity Interest (if applicable) may pass in accordance with such person's will or, if such person dies intestate, in accordance with laws of intestacy governing the distribution of such person's estate, without our consent, provided that (x) the Transfer is to a Family Member or to a legal entity formed by such Family Member(s), and (y) within one (1) year after the death, such Family Member(s) or entity meets all our then current requirements for an approved applicant.

(iv) Brick and Mortar Transfers. You may sell, lease or transfer the Hotel, the Hotel site, or any portion thereof if, in our reasonable judgment, after the sale, you retain possession and control of the Hotel site and the management control of the Hotel operations and continue to comply with the requirements of Subparagraph 6.a.(24), provided you give us at least sixty (60) days' prior notice of the proposed transfer, and any Transfer Information (as defined below) that we request. If, in our reasonable judgment, the Transfer will result in your loss of possession or control of the Hotel or Hotel site or management of the Hotel, the sale will then be considered a change of ownership and you must comply with the provisions of Subparagraph 11.b.(2)(b).

(v) Privately Held Equity Interests: 25% or Greater Change/No Change of Control. You or any Equity Owners as of the date of this Agreement may sell, lease, transfer or otherwise convey Equity Interests if a twenty-five percent (25%) or more cumulative change in Equity Interests in Licensee will have changed hands since the date of this Agreement; provided that such event does not, in our opinion, result in a change in the ultimate controlling Equity Owner of the Licensee, this Agreement or the Hotel and the following conditions are met: (x) you are not then in material default under this Agreement; (y) the Transfer is not, directly or indirectly, to a Competitor; and (z) you otherwise satisfy the conditions as set forth in Subparagraphs 11.b.(2)(b)(i)-(vii), (ix) and (x) below that we may require you to satisfy.

(b) **Change of Ownership.** Any proposed Transfer that does not otherwise qualify as a Permitted Transfer as defined in Subparagraph 11.b.(2)(a) above will be considered a change of ownership **("Change of Ownership")**. If there is a proposed Change of Ownership and the proposed owner desires to continue to operate the Hotel as a System hotel, the proposed owner must submit to us a complete application for a new franchise license agreement (the **"Change of Ownership Application")** accompanied by payment of our then prevailing application fee. If we do not approve the Change of

Ownership Application, we will refund the application fee, less Two Thousand Five Hundred Dollars ($2,500) for processing costs. The proposed owner may also be required to pay the then prevailing property improvement plan ("PIP") fee for us to determine the renovation requirements for the Hotel. If we approve the Change of Ownership Application, the new owner will then be required to pay any other applicable fees and charges we then impose for new Licensed Brand franchise licenses.

We will process the Change of Ownership Application in accordance with our then current procedures, including review of criteria and requirements regarding upgrading of the Hotel, credit, background investigation, operations abilities and capabilities, prior business dealings, market feasibility, guarantees, and other factors we consider relevant. We will have sixty (60) days from our receipt of the completed and signed application to consent or withhold our consent to the proposed owner as Licensee.

We may, at our option, or as applicable, make our consent subject to satisfaction of certain conditions, including:

(i) The cure of any existing defaults or events that would become defaults with the giving of notice and passage of time, including, the payment in full at the closing of the Transfer (the **"Closing"**) of all unpaid obligations owed to us and any Entities by you, and/or the renovation by you or the proposed owner of all or part of the Hotel;

(ii) Receipt of evidence from the transferee that insurance coverage, as required by this Agreement, is in full force and effect on the date of Closing;

(iii) Payment of the amount of any fees and charges we estimate will accrue to us or any of the Entities through the date of Closing;

(iv) That you at all times remain in compliance with the terms of this Agreement pending the Closing;

(v) Your signing of an estoppel and a general release in a form satisfactory to us, of any and all claims, demands and causes of action that you and your partners, proprietors, directors, officers, shareholders, members, successors and assigns (as the case may be) may or might have against us or any of the Entities, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including claims arising under federal, state and local laws, rules and ordinances;

(vi) That you submit to us all information related to the Transfer that we may reasonably require, including copies of any proposed agreement(s), the proposed ownership structure of the proposed transferee if ownership of this Agreement or of the Hotel is being transferred and/or all entities involved, the names and addresses of the proposed owners of the Equity Interests and of the site at which the Hotel is operated, and financial statements and business information for all participants in the proposed sale or lease (collectively, the **"Transfer Information")**;

(vii) Evidence of adequate assurances (as determined by us in our sole discretion) of the proposed owner's assumption of and ability to perform all, or its pro rata share, of your or any Equity Owners' obligations under this Agreement;

(viii) Execution by you of our then-current standard form of voluntary termination agreement covering termination of this Agreement and execution by the new owner of a new franchise license agreement (**"New License"**) with us for the then unexpired term of this Agreement (or for such other term as we may approve in our sole discretion). The New License will (i) be on our then current form for the grant of new franchise licenses, (ii) contain our then current license terms (except for duration), and (iii) contain upgrading and other requirements, if any, that we impose.

(ix) Execution of our then-current standard form of guarantee of franchise license agreement by the same guarantors, if any, of this Agreement or substitute guarantors we approve; and

(x) Successful completion by the proposed owner and its management team of any training and orientation programs we require.

We have the right to withhold our consent to any proposed Transfer if any of these conditions are not met to our satisfaction, or if the proposed owner is a Competitor. If we approve the Change of Ownership Application, we will not assess you any liquidated damages for early termination of this Agreement as long as the New License is signed by the new owner no later than the Closing of the Change of Ownership transaction. If we do not approve the Change of Ownership Application, or if you or the new owner do not comply with all these conditions and the Transfer still occurs, then you will be in material default of this Agreement and we will be entitled to all of our remedies, including the right to terminate this Agreement, and the right to payment of all amounts set forth in Subparagraph 14.c.

(3) Public Offering. If you "offer to sell" or "sell" any "securities" in the Licensee or in the Hotel, you shall do so in accordance with the terms and conditions set forth in this Subparagraph 11.b.(3). All materials required by federal, state or other applicable law for the offer or sale of those securities must be submitted to us for review at least twenty (20) days before the date you distribute those materials, or file them with any governmental agency, including any materials to be used in any offering exempt from registration under federal or state securities laws. You must submit a non-refundable Two Thousand Five Hundred Dollar ($2,500) processing fee to us with the offering documents, and agree to pay any additional costs we may incur in reviewing your documents, including reasonable attorneys' fees. You also may not use any of the Marks or otherwise imply Hilton's or our participation or endorsement of any securities offering. We will have the right to approve any description of this Agreement or of your relationship with us, or any use of the Marks, contained in any "prospectus" or other communications or materials you use in the sale or offer of any "securities." You may not imply Hilton's or our participation in or endorsement of any such "securities." To the extent we give you any comments to your documents, you must modify the documents to address those comments, satisfactory to us, before filing or distributing the documents. Our review of these documents will not in any way be considered our agreement with any statements contained in those documents, including any projections, or our acknowledgment or agreement that the documents comply with any applicable laws.

You may not sell any "securities" unless you do so in compliance with all applicable federal and state securities laws, and unless you clearly disclose to all purchasers and offerees that (i) neither we, nor any Entity, nor any of our or their respective officers, directors, agents or employees, will in any way be deemed an "issuer" or "underwriter" of said "securities," and that (ii) we, the Entities, and our respective officers, directors, agents and employees have not assumed and will not have any liability or responsibility for any financial statements, prospectuses or other financial information contained in any "prospectus" or similar written or oral communication. You agree to indemnify, defend and hold the Indemnified Parties free and harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the "sale" or "offer" of any of your "securities" to the same extent as provided in Paragraph 9 of this Agreement. All terms used in this Subparagraph 11.b.(3) will have the same meaning as in the Securities Act of 1933, as amended.

(4) Transfers Not in Accordance With This Agreement. Any purported Transfer, by operation of law or otherwise, not in accordance with the provisions of this Agreement, will be null and void and will constitute a material breach of this Agreement, which will allow us to terminate this Agreement without giving you any opportunity to cure. Further, we will have all other rights and remedies, including the right to specific performance or mandatory or prohibitory injunctive relief, to redress any attempt on your part to transfer this Agreement other than in accordance with the provisions of this Agreement.

(5) Pledge to Lending institution. Notwithstanding any other provision of this Agreement, you do not need to notify us to obtain our approval if you want to pledge or mortgage the

assets of the Hotel or any Equity Interest to a third-party bank or other commercial lending institution that is not a Competitor. However, you do need to notify us and obtain our consent if you want to pledge or mortgage your interest in this Agreement. As a condition to our giving our consent to a pledge or mortgage of this Agreement we will require the lender to sign a lender comfort letter that describes our requirements on foreclosure, and includes an estoppel and general release of Claims that you may have against us, Hilton or the Entities, in a form satisfactory to us. If it desires to continue to operate the Hotel as a System hotel, the lender will be required to conform to the lender comfort letter signed with us or, if no lender comfort letter was signed, then it must meet the terms and conditions of this Agreement for a Transfer involving a Change of Ownership.

12. Condemnation and Casualty

a. Condemnation. You will, at the earliest possible time, give us notice of any proposed taking of any portion of the Hotel by eminent domain. If we agree that the Hotel or a substantial part of the Hotel is to be taken, we may, in our sole discretion and within a reasonable time of the taking (within four months) transfer this Agreement to a nearby location you select. If we approve a new location, and if within one (1) year of the closing of the Hotel you open a new hotel (or are diligently proceeding toward opening a new hotel and ultimately do so) at the new location in accordance with our specifications and in accordance with our timing requirements, then the new hotel will be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement in strict accordance with this Paragraph 12 (or if it is reasonably evident to us that this will be the case), then we may terminate this Agreement immediately upon notice to you, and we will not require you to pay a Termination Fee under Subparagraph 14.c.

b. Casualty. If the Hotel is damaged by fire or other casualty, you will immediately notify us. If the damage or repair requires closing the Hotel, you may choose to repair or rebuild the Hotel according to our standards, provided you (i) immediately notify us (ii) begin reconstruction within four (4) months after closing, and (iii) reopen the Hotel for continuous business operations as soon as practicable (but in any event within one (1) year after the closing of the Hotel), giving us ample advance notice of the date of reopening. Until we determine that the Hotel can be re-opened as a System hotel, the Hotel will not promote itself as a System hotel, or otherwise identify itself with any of the Marks without our prior written consent. You and we each have the right to terminate this Agreement if you elect not to repair or rebuild the Hotel as set forth above in this Paragraph 12, provided the terminating party gives the other party sixty (60) days written notice, in which case we will not require you to pay a Termination Fee under Subparagraph 14.c; provided however, if subsequent to such termination notice and prior to the natural expiration of the License Term, you, or any of your Affiliates, have a controlling interest in and/or operate a hotel at this Hotel site and such hotel is not operated under a license or franchise from one of the Entities, then you must pay us the Termination Fee.

c. No Extensions of Term. Nothing in this Paragraph 12 will extend the License Term.

13. Term of License. Unless terminated earlier, this Agreement will expire without notice on the date set forth on the Rider. You acknowledge and agree that this Agreement is non-renewable and that this Agreement confers upon you absolutely no rights of license renewal whatsoever following the expiration of the License Term.

14. Termination

a. Termination, Suspension or Other Interim Remedies by Us on Advance Notice. In addition to our right to immediately terminate this Agreement upon the occurrence of certain events as provided in Subparagraph 14.b below, we have the right to terminate this Agreement immediately upon notice to you if you fail to cure an Event of Default (as defined in Subparagraph 14.a.(1)) within thirty (30) days after we furnish notice of default to you based on the Event of Default, or, if there is a non-monetary Event of Default that is incapable of cure within thirty (30) days, if you fail to commence to cure within such thirty (30) day period and diligently pursue cure of such default and fail to cure the default within the additional time periods we set forth in the notice of default. In lieu of Event of Default termination at such

time, we may elect to postpone termination for a period of time we alone determine and impose one or more of the Interim Remedies listed below in subsection (3), it being expressly understood that, at any time after doing so, we continue to retain the right – exercisable at any time we determine – to terminate this Agreement.

(1) An "**Event of Default**" will occur if you fail to satisfy or comply with any of the obligations, requirements, conditions, or terms set forth in (i) this Agreement, the Manual (including the standards in the Manual and minimum performance scores required by the Manual), or any attachment to this Agreement; or (ii) any other agreement you have with us, or any of the Entities, relating to the Hotel, including, any computer system agreement, or any agreement to manage the Hotel. An "Event of Default" will also occur if you make any misrepresentations to us, whether in entering into this Agreement, or in the performance of your obligations to us.

(2) Our notice of termination will not relieve you of your obligations under this Agreement or any of its attachments.

(3) After expiration of the applicable notice and cure periods for an Event of Default, we may at anytime elect to postpone termination for a period of time we alone determine and impose any one or more of the following interim remedies (each, an **"Interim Remedy")**, including the suspension of our and/or Hilton's obligations under this Agreement and/or the Hilton Information Technology System Agreement, and any other agreement between you and us or any Affiliate related to this Hotel and/or the property upon which the Hotel is located (collectively, "**Your Agreements**"):

(a) We and/or Hilton may suspend you from any reservation and/or website services. We may remove the listing of the Hotel from any directories we publish, and from any advertising we publish, and/or remove or suspend you from the Reservation Service. If we suspend you from the Reservation Service, we will have the right to divert reservations previously made for the Hotel to other System hotels.

(b) We and/or Hilton may disable all or any part of the software provided to you pursuant to Your Agreements, and/or may suspend any one or more of the information technology and/or network services that we and/or Hilton provide or support under Your Agreements.

(c) We and/or Hilton may charge you for: the cost of any computer hardware, computer software, other information technology and/or information technology service which we and/or Hilton provided to you at no additional charge other than the fees you paid under Your Agreements; costs related to such suspending, disabling, together with intervention or administration fees set forth in the Manual; and, the cost of any computer hardware, computer software, other information technology and/or information technology service we and/or Hilton determine to provide you (in our and Hilton's sole discretion) (each, an **"Information Technology Recapture Charge").** An Information Technology Recapture Charge may, at our sole option, take the form of one or more specific dollar amounts and/or of a percentage increase to any of the fees charged based on a percentage of your Gross Room Revenues under this Agreement and/or Your Agreements (a **"Percentage Fee")**. If an Information Technology Recapture Charge consists of one or more specific dollar amounts, then you must pay each such amount to us or Hilton immediately upon demand. If an Information Technology Recapture Charge consists of an increase to a Percentage Fee, you must pay the increased Percentage Fee when and as provided in Your Agreements (as applicable). You understand and agree that such increases may be levied in any Percentage Fee notwithstanding any other provision of this Agreement and/or any other of Your Agreements.

If, after we impose any Interim Remedy, but before we exercise our reserved right to terminate this Agreement (as provided above), you completely cure to our satisfaction the subject Event(s) of Default, then we may either elect to terminate this Agreement despite your untimely cure, or, at our sole option, elect not to terminate this Agreement; if the latter, we will withdraw the Interim Remedy on a going-forward basis.

You agree that our exercise of the right to elect Interim Remedies will not result in actual or constructive termination or abandonment of this Agreement, and that the rights granted to us in this clause (3) to elect Interim Remedies are in addition to, and apart from, any other rights we may have in this Agreement, including our right to thereafter at any time we determine terminate this Agreement. If we exercise the right to elect Interim Remedies, the exercise will not be a waiver of any breach by you of any term, covenant or condition of this Agreement. You will not be entitled to any compensation, including repayment, reimbursement, refund or offsets, for any fees, charges, expenses or losses you may directly or indirectly incur by reason of our exercise and/or withdrawal of any Interim Remedy.

(4) In addition to the cure requirements specified in our written notice of an Event of Default, we may also require you to cause person(s) or entity(ies) acceptable to us to guarantee all of your obligations under this Agreement by executing our then-current standard form guarantee.

b. Immediate Termination by Us. We have the right to terminate this Agreement immediately upon notice to you (or terminate it at the earliest time permitted by applicable law) if one or more of the following breaches to this Agreement or any of its attachments occur:

(1) After curing any material violation of this Agreement or the Manual, you engage in the same noncompliance within any consecutive twenty four (24) month period, whether or not the noncompliance is corrected after notice; or after we have notified you of your noncompliance with any of the requirements imposed by this Agreement or the Manual, regardless of materiality, you engage in a pattern of noncompliance with any of those requirements, whether or not the noncompliance is corrected after notice, which pattern of non-compliance in and of itself will be deemed material;

(2) You or any guarantor of your obligations under this Agreement:

(a) Generally fails to pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of its creditors;

(b) Commences any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property;

(c) Takes any corporate or other action to authorize any of the actions set forth above in clauses (a) or (b);

(d) Suffers initiation of any case, proceeding or other action against it seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven (7) business days after the entry of the order or (ii) remains undismissed for forty-five (45) days;

(e) Allows an attachment to remain on all or a substantial part of the Hotel or of its assets for thirty (30) days;

(f) Fails within sixty (60) days of the entry of a final judgment against it in any amount exceeding One Hundred Thousand Dollars ($100,000) to discharge, vacate or reverse the judgment, or to stay execution of it, or if appealed, to discharge the judgment within thirty (30) days after a final adverse decision in the appeal;

(g) Loses possession or the right to possession of all or a significant part of the Hotel or Hotel site, whether through foreclosure, including, but not limited to, foreclosure of any lien, trust deed, or mortgage, loss of lease, or for other reasons apart from those described in Paragraph 12;

(h) Fails to continue to identify the Hotel to the public as a System hotel, or abandons the operation of the Hotel by failing to operate the Hotel for five (5) consecutive days, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Hotel, unless the failure to operate is due to fire, flood, earthquake or similar causes beyond your control, provided that you have taken reasonable steps to minimize the impact of such events;

(i) Contests in any court or proceeding our ownership of the System or any part of the System, or the validity of any of the Marks;

(j) Takes any action toward dissolving or liquidating itself, if it is a corporation, limited liability company or partnership, except for death of a partner;

(k) Any of the owners of a controlling Equity Interest is discovered to have been convicted of a felony (or any other offense or conduct if we reasonably determine it is likely to adversely reflect upon or affect the Hotel, the System, us and/or any Entity);

(l) Conceals revenues, maintains false books and records of accounts, submits false reports or information to us or otherwise attempts to defraud us;

(m) Becomes a Competitor (as defined in Subparagraph 6.a.(23));

(n) Transfers any interest in this Agreement or in the Hotel other than in the transaction that we have approved (unless the Transfer is of a type described in Paragraph 11 where our approval is not required); or

(o) Does not purchase or maintain insurance required by this Agreement, or does not reimburse us for our purchase of insurance on its behalf; of

(p) Becomes a "Specially Designated National or Blocked Person" as defined in Subparagraph 16.o. or fails to comply with the provisions of Subparagraph 16.o, including a breach of the representations set forth therein or we discover through notice from you or through our own investigation that the representations set forth in Subparagraph 16.o. are or have become false.

(3) Information involving you or your affiliates, whether provided by you under Subparagraph 6.a.(29) or obtained through Hilton's or our own investigation, discloses facts concerning you or your affiliates, including your respective officers, directors, shareholders, partners or members, and/or the Hotel, or title to the property over which the Hotel is constructed or any other property used by the Hotel, including leased commercial space, which, in the reasonable opinion of Hilton is likely to adversely reflect upon or affect in any manner, any gaming licenses or permits held by the Entities or the then current stature of any of the Entities with any gaming commission, board, or similar governmental or regulatory agency, or the reputation or business of any of the Entities;

(4) We make a reasonable determination that continued operation of the Hotel by you will result in an imminent danger to public health or safety; or

(5) Any guarantor of your obligations under this Agreement breaches its guarantee, if any, or any guarantee fails to be a continuing obligation fully enforceable against the person(s) signing the guarantee, or if there is any inadequacy of the guarantee or guarantor, and the guarantor fails to provide adequate assurances to us as we may reasonably request.

c. Liquidated Damages upon Termination by Us. If we terminate the Agreement under Subparagraphs 14.a. or 14.b. above, you acknowledge that your default will cause substantial damage to us, the actual amount of which will be difficult to determine. Therefore, you agree that if we terminate this Agreement under Subparagraphs 14.a. or 14.b. as a result of your default or breach of this Agreement, or if you unilaterally terminate this Agreement without cause, which is not authorized and which would be a

material breach of this Agreement, then upon termination you must pay us a lump-sum payment equal to the sum of the following: (i) all amounts owed to us for periods prior to the date of termination, plus (ii) as liquidated damages for the future Monthly Royalty Fees and Monthly Program Fees we will lose, a "**Termination Fee**" determined by multiplying the average of the Monthly Royalty Fees and Monthly Program Fees (collectively, the "**Average Monthly Fees**") with respect to the Hotel for the twenty-four (24) month period immediately preceding the month of termination, by thirty-six (36), or by such lesser multiple as would represent the remaining full or partial months between the date of termination and the expiration of the License Term. If the Hotel has been open for less than twenty-four (24) months, then in calculating the Termination Fee we will multiply thirty-six (36) by the greater of a) the Average Monthly Fees you owed us from the Opening Date through the month immediately preceding the month of termination, and b) the average Monthly Royalty Fees and Monthly Program Fees per Guest Room owed to us by all System hotels in operation throughout the same twenty-four (24) month period, multiplied by the number of Guest Rooms in the Hotel. The Termination Fee is intended to compensate us only for the value lost in Monthly Royalty Fees and Monthly Program Fees as a result of the early termination of the Agreement, and you agree that you remain liable for all other obligations and claims under the Agreement, including obligations following termination under Subparagraphs 5.c, 5.d., 8.c., 14.d. and Paragraph 9 and liabilities arising out of your breach or default.

d. De-identification of Hotel Upon Termination. Upon expiration or termination of this Agreement for any reason, you will immediately stop holding yourself out to the public as a System hotel, and will take whatever action is necessary to assure that no use is made of any part of the System (including the Marks, all forms of advertising and other indicia of operation as a System hotel), and discontinue use of all distinguishing indicia of System and HHC hotels, including such indicia on exterior and interior signs, stationery, operating equipment and supplies, Internet sites, brochures and other promotional material at or in connection with the Hotel or otherwise. You will return to us the Manual and all other proprietary materials, remove all distinctive System features of the Hotel, including the primary freestanding sign down to the structural steel, and take all other actions ("**De-identification Actions**") required to preclude any possibility of confusion on the part of the public that the Hotel is still using all or any part of the System or is otherwise holding itself out to the public as a System hotel. If within thirty (30) days after the termination or expiration of this Agreement, you fail to comply with this paragraph, we and our agents, at your expense, may enter the premises of the Hotel to perform the De-identification Actions without being deemed guilty of or liable for trespass or any other tort, and make or cause to be made such changes at your expense. You will pay all such expenses that we incur upon demand. If you fail to take all De-identification Actions, we and Hilton will be entitled to recover all losses, costs, expenses and damages caused by that failure. We and Hilton will also be entitled to relief by injunction, and any other right or remedy at law or in equity to enforce our rights under this Agreement.

e. Special Termination. You recognize the additional harm by way of confusion for national accounts, greater difficulty in re-entering the market, and damage to goodwill of the Marks that we will suffer if (i) you (or any of your Affiliates) cause two (2) or more franchise license agreements for the Licensed Brand between yourself (or any of your Affiliates) and us to be terminated prior to the expiration date of such agreements within twelve (12) months of each other (if we terminate those agreements following your breach or default, you (or your Affiliate) will be deemed to have caused the termination) or (ii) this Agreement terminates or is terminated by us following an unapproved Transfer to a Competitor (each of these will be referred to as a "**Special Termination**"). In the case of a Special Termination, the amount due to us upon termination will be an amount equal to the amount set forth in clause (i) of Subparagraph 14,c., plus an additional amount equal to two (2) times the Termination Fee payable under clause (ii) of Subparagraph 14.c. This Subparagraph 14.e. is not triggered upon mutual voluntary termination of this Agreement.

15. Relationship of Parties

a. No Agency Relationship. You are an independent contractor. Neither of us is the legal representative or agent of the other, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose. You expressly acknowledge that we have a business relationship based entirely on, and defined by, the express provisions of this Agreement and that no

partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement. Neither we nor any of the Entities will have any responsibility to any person for any debts, liabilities, damages, claims or expenses related to the establishment, construction or operation of the Hotel or arising out of or related to your policies, procedures, practices or alleged practices in the operation of the Hotel or any other business conducted at the Hotel.

b. Notices to Public Concerning Your Independent Status. You will take all steps reasonably necessary to minimize the chance of a claim being made against us for anything that occurs at the Hotel, or for the acts or omissions of you or anyone associated or affiliated with you or the Hotel, including steps mandated by us in the Manual or otherwise. You will not incur any obligation or indebtedness on our behalf. All contracts for the Hotel's operations and services at the Hotel will be in your name or in the name of your management company. You will not enter into or sign any contracts in our name or using the name of the Licensed Brand or the Marks or any acronyms or variations on same. You will disclose in all dealings with suppliers and third parties that you are an independent entity and that we have no liability for your debts.

16. Miscellaneous

a. Severability and Interpretation. The remedies provided in this Agreement are cumulative. These remedies are not exclusive of any other remedies to which you or we may be entitled in case of any breach or threatened breach of the terms and provisions hereof. If any provision of this Agreement is held to be unenforceable, void or voidable, that provision will be ineffective to the extent of the prohibition without in any way invalidating or affecting the remaining provisions of this Agreement, and all remaining provisions will continue in effect. If any provision of this Agreement is held unenforceable due to its scope, but may be made enforceable by limiting its scope, the provision will be considered amended to the minimum extent necessary to make it enforceable. This Agreement will be interpreted without interpreting any provision in favor of or against either of us by reason of the drafting of the provision, or either of our positions relative to the other. Any covenant, term or provision of this Agreement that provides for continuing obligations after the expiration or termination of this Agreement will survive any expiration or termination. To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, those provisions will, to the extent they are not in accordance with applicable law, be superseded by said taw, and we will comply with applicable law in connection with each of these matters.

b. Controlling Law. This Agreement will become valid when signed by both of us. We each agree that the State of New York has a deep and well developed history of business decisional law. For this reason, we each agree that except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. If 1050 et seq.), as amended, this Agreement, all relations between us, and any and all disputes between us, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the laws of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the Hotel is located outside of New York and the provision would be enforceable under the laws of the state in which the Hotel is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this section is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state which would not otherwise apply absent this Subparagraph 16.b.

Because, as stated above, the State of New York has a well developed history of business decisional law and because the courts of the State of New York are best suited to interpret and apply that law, we each agree that any litigation arising out of or related to this Agreement, any breach of this Agreement, the relationship between us, and, any and all disputes between us, whether sounding in contract, tort, or otherwise, will be submitted to and resolved exclusively by a court of competent jurisdiction located in the City and State of New York. You waive, and agree never to assert, move or

otherwise claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, any claim under the judicial doctrine of forum non conveniens).

If our mutual choice of venue in the City and State of New York is not honored by the subject court(s), then we each agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; the relationship between us; and, any and all disputes between us, whether sounding in contract, tort, or otherwise, will instead be submitted to and resolved exclusively by a court of competent jurisdiction located in the City and County of Los Angeles, California. You waive, and agree never to assert, move or otherwise claim that this substitute venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, any claim under the judicial doctrine of forum non conveniens).

c. Exclusive Benefit. This Agreement is exclusively for our and your benefit, and none of the obligations of either of us in this Agreement will run to, or be enforceable by, any other party (except for covenants in favor of the Entities, which covenants will run to and be enforceable by the Entities or their successors and assigns), or give rise to liability to a third party, except as otherwise specifically set forth in this Agreement.

d. Entire Agreement. You and we acknowledge that we want all terms of this business relationship defined in this written Agreement, and that neither of us wants to enter into a business relationship with the other in which any terms or obligations are subject to any oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth in this Agreement. Therefore, you and we agree that this Agreement and its attachments will be construed together and will supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or by any other term) between us. We each agree that we placed, and will place, no reliance on any such discussions or writings. You agree that no claims, representations or warranties of earnings, sales, profits, success or failure of the Hotel have been made to you. This Agreement and its attachments is the entire agreement between us and contains all of the terms, conditions, rights and obligations between us with respect to the Hotel and any other aspect of the relationship between us. No change, modification, amendment or waiver of any of the provisions of this Agreement will be effective and binding upon us unless it is in writing, specifically identified as an amendment to this Agreement, signed by one of our officers, and which may include an estoppel and general release of Claims that you may have against us, Hilton or the Entities, in a form satisfactory to us. If any provision of this Agreement is inconsistent with the Manual, the provisions of this Agreement will prevail. No failure by us or by any of the Entities to exercise any power given us under this Agreement or to insist on strict compliance by you with any of your obligations, and no custom or practice at variance with the terms of this Agreement, will be considered a waiver of our or any Entity’s right to demand exact compliance with the terms of this Agreement.

e. Consent; Business Judgment. Wherever our consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, we have the right to withhold our approval in our discretion taking into consideration our assessment of the long-term interests of the System overall. You and we recognize, and any arbitrator or judge is affirmatively advised that if those decisions are supported by our business judgment, neither an arbitrator nor a judge nor any other person reviewing those decisions will substitute his, her or its judgment for our judgment. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable. Our approvals and consents will not be effective unless given in writing. In no event may you make any claim for money damages based on any claim that we have unreasonably withheld or delayed any consent or approval to a proposed act by you under the terms of this Agreement. You also may not claim damages by way of set-off, counterclaim or defense for our withholding of consent. Your sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement by specific performance or by declaratory judgment.

f. Notices. All notices must be in writing and will be effective on the earlier of (i) the day it is sent via facsimile with a confirmation of receipt; or (ii)one business day after it is sent by next business day delivery service; or (iii) the third business day after it is sent by first-class or certified mail or other form of express delivery to the appropriate party at the following single address, or such other single address as may be designated by the party to be notified (which, in no event, is **a** P.O. Box). If to us, the notice should be sent to our principal executive offices, addressed to "General Counsel." The current address of our principal executive offices is as follows: 9336 Civic Center Drive, Beverly Hills, CA 90210. If to you, then to the address set forth for you in the Rider. Notice to you is deemed given if 1) delivered in writing via one of the delivery methods set forth above and 2) addressed to the Principal Correspondent at the address you designate in the Rider. Any change to your address or Principal Correspondent for notice must be delivered to us in writing in accordance with the delivery procedure set forth in this Subparagraph 16.f. Licensee hereby grants Licensor permission to send communications to the Licensee via facsimile for the purposes of notices under this Agreement, including this Subparagraph 16.f. and/or to provide information from the Licensor to the Licensee via facsimile or email, subject to any applicable laws. To the extent there are any regulations or laws prohibiting such mass communications and to the extent they are waivable, Licensee hereby waives them.

g. General Release. You and your heirs, administrators, executors, agents and representatives and their respective successors and assigns release, remise, acquit and forever discharge us and the Entities and their officers, directors, employees, agents, representatives and their respective successors and assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warranties, judgments, executions, demands, damages, costs and expenses, whether known or unknown at this time, of any kind or nature, absolute or contingent, at law or in equity, on account of any matter, cause or thing whatsoever that has happened, developed or occurred before you sign and deliver this Agreement to us (collectively, **"Claims")**. This release will survive the termination of this Agreement.

h. Estoppel Certificate. Whenever we reasonably request it, you will deliver to us an estoppel certificate in the form we require as to the matters described in this Agreement.

i. Descriptive Headings. The descriptive headings in this Agreement are for convenience only and will not control or affect the meaning or construction of any provision in this Agreement.

j. Representations and Warranties. You warrant, represent and agree that all statements made by you in the Application you submitted to us in anticipation of this Agreement and all other documents and information you submitted to us are true, correct and complete as of the date of this Agreement and that you will continue to update them so that they are always true, correct and complete. You further represent and warrant to us that you have the full legal power and authority to enter into this Agreement and that by entering into this Agreement you will not be breaching any agreement to which you are a party. You hereby indemnify and hold us harmless from any breach of these representations and warranties. These warranties and representations will survive the termination of this Agreement.

k. Time. Time is of the essence in this Agreement.

l. Counterparts. This Agreement may be signed in counterparts, each of which will be considered an original.

m. Performance Requirements/Responsibilities. Attachment A, setting forth certain of your performance conditions and requirements, is incorporated by reference and made a part of this Agreement.

n. Informational Copies. You acknowledge that we may provide, but are not required to provide, copies of any information we provide to you concerning the Hotel (such as quality assurance reports and default notices) to the owner and/or lessor of the Hotel.

o. Blocked Persons or Entities. Licensee represents and warrants to Hilton that to Licensee's actual or constructive knowledge: (1) neither Licensee (including its directors and officers), nor any of its Affiliates, or the funding sources for any of the foregoing, is identified on the list of the Treasury's Office of Foreign Assets Control (OFAC); (2) neither Licensee nor any of its Affiliates, is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; and (3) neither Licensee nor any of its Affiliates is acting on behalf of a government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo. Licensee agrees that it will notify Hilton in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties of this Subparagraph 16.o. incorrect. Notwithstanding anything to the contrary in this Agreement, no Transfer shall be made to a Specially Designated National or Blocked Person (as herein defined below) or to an entity in which a Specially Designated National or Blocked Person has an interest. For purposes of this Agreement, **"Specially Designated National or Blocked Person"** means (i) a person or entity designated by OFAC (or any successor office or agency of the U.S. government) from time to time as a "specially designated national or blocked person" or similar status, (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, or (iii) a person or entity otherwise identified by government or legal authority as a person with whom Hilton is prohibited from transacting business. Note to Licensee: The U.S. government has published a list of such designations and the text of the Executive Order is published under the internet website address www.ustreas.gov/offices/enforcement/ofac.

17. WAIVER OF JURY TRIAL

TO THE EXTENT EITHER PARTY INITIATES LITIGATION INVOLVING THIS AGREEMENT OR ANY ASPECT OF THE RELATIONSHIP BETWEEN US (EVEN IF OTHER PARTIES OR OTHER CLAIMS ARE INCLUDED IN SUCH LITIGATION), ALL THE PARTIES WAIVE THEIR RIGHT TO A TRIAL BY JURY. THIS WAIVER WILL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION, INCLUDING CLAIMS RELATED TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN OR AMONG US OR BETWEEN OR AMONG ANY OF OUR OWNERS, AFFILIATES, OFFICERS, EMPLOYEES OR AGENTS.

THIS AGREEMENT CONTINUES WITH AN ATTACHMENT A AND ATTACHMENT B, WHICH ARE A PART OF THIS AGREEMENT.

ATTACHMENT A - PERFORMANCE CONDITIONS:
NEW DEVELOPMENT

A. **Consultation.** You or your representative(s) will meet with us to consult and coordinate with the project manager we assign to you. The meeting will take place within forty-five (45) days after we notify you of approval, and the meeting will be held at a location we select.

B. **Approval of Architect/Designer/Contractors.** Before you submit Plans and Designs (as defined in Paragraph C) to us, you will furnish us with resumes and other information we request pertaining to the architect you desire to retain to prepare your Plans and the interior designer you desire to retain to prepare your Designs. The Plans and Designs will not be approved until we have approved the architect and/designer who are to prepare the Plans and Designs. Before Construction Work (as defined in Paragraph E), you will also submit to us resumes and other information we request pertaining to the general contractor and/or any major subcontractors for the Construction Work. Construction Work will not begin until we have approved the contractors, which approval may be conditioned on bonding of the contractors.

C. **Approval of Plans.** On or before the date specified on the Rider for submission of the Plans, you must submit to us your plans, layouts, specifications, and drawings for the Hotel, (collectively, the **"Plans").** Construction Work will not begin unless and until we have approved the Plans. You must also submit to us your plans, layouts specifications and designs for the proposed furnishings, fixtures, equipment and decor of the Hotel (collectively, the **"Designs")** when we instruct you to do so. Once we approve the Plans and Designs, no change may be made to the Plans without our advance consent. In approving the Plans and Designs, we do not warrant the depth of our analysis or assume any responsibility for the efficacy of the Plans and Designs, or the resulting Construction Work. It is solely your responsibility to ensure your Plans comply with our then prevailing standards and specifications as set forth in the Manual and with all Legal Requirements (as defined below).

You are responsible for making certain that the Hotel complies in all respects with all Legal Requirements. For purposes of this Agreement, **"Legal Requirements"** means all public laws, statutes, ordinances, orders, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments and governmental authorities, which, now or hereafter, may apply to the construction, completion, equipping and opening of the Hotel and the operation of the Hotel, including environmental, zoning, building, and life safety. We and Hilton will have the right to, and you will arrange for us and Hilton to, participate in all progress meetings during the development and construction of the Hotel, to have access to all contract and construction documents relating to the Hotel, and to have access to the Hotel during reasonable business hours to visit the Hotel. However, neither we nor Hilton are obligated to participate in progress meetings, or visit the Hotel, and our and Hilton's participation and site visits are not to be considered as a representation of the adequacy of the construction, the structural integrity, or the sufficiency of mechanical and electrical systems for the Hotel. Before we approve your Plans, your architect or other certified professional must certify to us that the Plans comply with the Americans with Disabilities Act and its architectural guidelines as well as all applicable state and local codes for accessible facilities. Upon completion of the construction of the Hotel and as a condition to Opening of the Hotel, your architect, general contractor or other certified professional must provide us with a certificate stating that the as-built premises comply with the Americans with Disabilities Act and its architectural guidelines and all applicable state and local codes for accessible facilities.

D. **Site Control.** Before you begin Construction Work, you must submit to us a copy of the deed or lease to the Hotel site evidencing your legal access to the Hotel site for the full License Term.

E. **The Construction Work.** You agree to take all action necessary to perform the development and construction of the Hotel, renovation, furnishing, equipping, acquisition of supplies and the implementation of the Plans **("Construction Work")** all in accordance with this Agreement, the

approved Plans and Designs, the Manual, and the standards we establish for System hotels, within the time frames we specify. You will be solely responsible for obtaining all necessary licenses, permits and zoning variances required for the Construction Work. Before you begin the Construction Work, you will submit to us copies of applicable permits, licenses and zoning variances.

F. **Commencement; Completion.** You will begin construction of the Hotel on or before the date specified on the Rider (the "**CCD**"). For the Hotel to be considered under construction by the CCD, you must have begun to pour the concrete foundations for the Hotel (or for partially or fully constructed structures, you must have otherwise satisfied our site-specific criteria for "under construction" which criteria we will provide to you in writing based on the site-specific circumstances of the structure). Your failure to begin construction by the CCD will be an Event of Default, unless we extend the CCD. If you want to request an extension of the CCD, you must submit a written request and a Ten Thousand Dollar ($10,000) extension fee before the CCD. If we approve the extension, we will set a new CCD and the extension fee will become non-refundable. If we deny the extension, we will refund the extension fee. Once begun, construction of the Hotel will continue uninterrupted (except to the extent continuation is prevented by events beyond Licensee's control, such as acts of God, third party strikes, acts of terrorism, war, or general governmental restrictions ("**Force Majeure**")) until it is completed. For purposes of this Paragraph F, Force Majeure does not include your own financial inability, inability to obtain financing, inability to obtain permits or any other events unique to you or the Hotel.

Upon our request, you will promptly provide us with evidence that construction has commenced. Notwithstanding any Force Majeure, or any other matter, Construction Work must be completed and the Hotel must be furnished, equipped, and otherwise made ready to Open (as defined in Paragraph O) in accordance with this Agreement no later than the date specified on the Rider (the **"Construction Work Completion Date"**). If you fail to complete the Construction Work in accordance with this Agreement on or before the Construction Work Completion Date and this failure to meet the Construction Work Completion Date is due solely to Force Majeure, the Pre-Opening Termination Fee (as defined in Paragraph T below) will not be assessed. We will have the sole right to determine whether the Construction Work has begun and has been completed in accordance with this Agreement, the approved Plans, and Designs, the Manual, and our standards for System hotels.

G. **Site Visits.** During the course of Construction Work, you and your architect, engineer, contractors, and subcontractors will cooperate fully with us for the purpose of permitting us to visit the Hotel site and review the progress of the Construction Work. In addition, you and your contractors, architect and designer will (i) supply us with samples of construction materials, test borings, corings, supplies, equipment, materials and reports as we may request and (ii) give our representatives access to the Hotel site and Construction Work in order to permit us to carry out our site visits.

H. **Progress Reports.** You will submit to us each month (or more frequently if we so request) a report showing progress made toward fulfilling the terms of this Agreement.

I. **Acquisition of Equipment, Furnishings, and Supplies.** You will purchase and/or lease and install all fixtures, equipment, furnishings, furniture, signs, computer terminals and related equipment, supplies and other items we require in order to prepare the Hotel for opening as a System hotel under this Agreement. After Opening, you will replace all these items, at your cost, in accordance with schedules we set in order to assure that the Hotel will meet the standards for operation we set for the System hotels.

J. **Costs of Constructing and Equipping.** You will bear the entire cost of the Construction Work, including the cost of the Plans, professional fees, licenses, permits, equipment, furniture, furnishings and supplies.

K. **Insurance During Construction.** In addition to the insurance coverage required under this Agreement, during the course of Construction Work, you will maintain or will cause the general contractor to maintain Builder's Risk coverage for the replacement value of the Hotel, which policies must name us and the Entities as additional insureds. This coverage must be evidenced by an original certificate of insurance, submitted to us at least thirty (30) days before you begin Construction Work and thereafter any time before a change is made in the coverage. Prior to the Opening Date, you will submit to us a certificate of insurance evidencing the other types of insurance we require under Subparagraph 6.a.(32) of this Agreement.

L. **Limitation of Liability.** We will have no liability or obligation with respect to design and construction of the Hotel. We have furnished to you that portion of the Manual which contains the technical standards and specifications to assist you in completing the Construction Work. You acknowledge you have studied these standards and specifications and satisfied yourself that the Hotel can be designed, furnished and equipped in accordance with these standards and specifications and that you and your design and construction consultants and contractors have the necessary resources and skills to do so. The Manual does not encompass the architectural, structural, mechanical or electrical safety, adequacy, integrity or efficiency of the design or compliance with applicable Legal Requirements. We do not undertake to approve the Hotel as complying with governmental requirements or as being safe for guests or other third parties and we have no responsibilities in these areas. You must indemnify us with regard to compliance with these matters to the extent provided in Paragraph 9 of this Agreement. The Manual may not be used by you or by any design or construction professional for any hotel or lodging project other than the Hotel.

M. **Trademarks.** During the planning and Construction Work phases of the Hotel, you will have the right, so long as this Agreement is in effect: (i) to place a sign on the Hotel site, advising the general public that a System hotel is under construction, in accordance with our plans and specifications for System hotels; (ii) to advertise and promote the development and Opening of the Hotel in the media; (iii) to purchase, from vendor(s) approved by us, operating supplies and equipment bearing the Marks required for the operation of the Hotel; and (iv) to purchase, from vendor(s) approved by us, and install the permanent Licensed Brand signage required for the operation of the Hotel. You agree, at your sole expense, upon, or promptly after, you begin construction, to install and maintain a construction sign on the Hotel site using the Licensed Brand name and other distinguishing characteristics, which meets our standards and specifications. Once we authorize the Hotel to Open (conditionally or otherwise), you may use the Marks and the System in the operation of the Hotel consistent with the terms and conditions of this Agreement.

N. **Staffing.** Before the Opening Date, you will, at your cost, hire a staff to operate the Hotel, and train that staff, all in accordance with the Manual and such other instructions as we may furnish to you.

O. **Opening.** The Hotel will be considered open for business **("Open"** or **"Opening")** on the date **("Opening Date")** we authorize you to make available the facilities, Guest Rooms or services of the Hotel to the general public under the Licensed Brand name(s). You will not Open the Hotel unless and until you receive our written authorization to do so. We will only authorize the Hotel to Open when we, in our sole discretion, are satisfied that: (i) you have complied with all the terms and conditions set forth in this Agreement; (ii) your staff has received adequate training and instruction; and (iii) all fees and charges you owe to us or the Entities have been paid. Opening the Hotel before we authorize you to Open will constitute unauthorized use of our Marks and a material breach of this Agreement. Recognizing the difficulty of ascertaining damages for such a breach, you agree to pay to us, as liquidated damages, solely for the damage to our Marks and not as a penalty, Five Thousand Dollars ($5,000) per day to compensate us for the damage to our Marks. You also agree to reimburse us for our costs, including attorneys fees, incurred in enforcing our rights. These liquidated damages for damages to our Marks do not limit any other remedies we may have, at law or in equity.

P. **Compliance/Investigation.** You will give us at least fifteen (15) days advance notice that, in your opinion, you have complied with all the terms and conditions of this Agreement and the Hotel is ready to Open (conditionally or otherwise). We will use reasonable efforts within fifteen (15) days after we receive your notice to visit the Hotel and to conduct other investigations as we deem necessary to determine whether to authorize the Opening (conditional or otherwise) of the Hotel, but we will not be liable for delays or loss occasioned by our inability to complete our investigation and to make this determination within the fifteen (15) day period. If you fail to pass our initial opening site visit, we may, in our sole discretion, charge you reasonable fees associated with any additional visits.

Q. **Conditional Opening.** Notwithstanding Paragraph O above, we may, in our sole discretion, conditionally authorize you to Open and operate the Hotel as a System hotel **("Conditional Opening")** even though you have not fully complied with the terms of this Agreement, if you are meeting your performance obligations under this Agreement and if you agree to fulfill all remaining terms of this Agreement, including any attachment, on or before the completion date set forth on the Rider, or any extension we approve. Our determination as to whether to authorize a Conditional Opening will be final and binding.

R. **Performance of Agreement.** You agree to satisfy all of the terms and conditions of this Agreement, and to equip, supply, staff and otherwise make the Hotel ready to Open under our standards. As a result of your efforts to comply with the terms and conditions of this Agreement, you will incur significant expense and expend substantial time and effort. You acknowledge and agree that we will have no liability or obligation to you for any losses, obligations, liabilities or expenses you incur if we do not authorize the Hotel to Open or if we terminate this Agreement because you have not complied with the terms and conditions of this Agreement.

S. **Termination Prior to Opening.** Your failure to satisfy the terms of this Agreement, including your failure to begin or complete the Construction Work in accordance with the Plans, the Manual and our requirements (including the milestone and completion dates) will constitute a material breach of your obligations under this Agreement and will be considered an Event of Default. If an Event of Default occurs before the Opening, we may terminate this Agreement if that Event of Default continues for ten (10) days (or longer, if required by law) after written notice to you.

T. **Pre-Opening Termination Fees.** If there is an Event of Default by you prior to Opening and, as a result of your failure to cure such Event of Default, we terminate this Agreement either:

1. Before you begin the Construction Work, but only if, within one (1) year of such termination you (or your affiliate) then, directly or indirectly, (a) enter into a franchise, license and/or management agreement for, and/or (b) begin construction or commence operation of: a hotel, motel, inn, or similar facility at the Hotel site under a Competitor brand name; or
2. After you begin the Construction Work, but before Opening (unless the Event of Default is due solely to Force Majeure as provided for in Paragraph F above);

then you will be liable to us for a Pre-Opening termination fee equal to One Thousand Two Hundred Dollars ($1200.00), for each Guest Room, multiplied by three (3) (the "Pre-Opening Termination Fee"). You must pay the entire Pre-Opening Termination Fee to us in one lump sum upon demand. The Pre-Opening Termination Fee represents the minimum damages we would incur as a result of the additional time necessary for us to develop an alternative site in the market. It does not substitute for any other damages we may incur as a result of any breach by you of any provision of this Agreement before or after the termination date, for which you will remain liable.

U. **Termination after Opening of the Hotel.** Termination of this Agreement after the Opening of the Hotel (conditionally or otherwise) will be governed by Paragraph 14 of this Agreement.

(Remainder of page left intentionally blank.)

ATTACHMENT B -
RIDER TO FRANCHISE LICENSE AGREEMENT

Effective Date:	**January 25, 2005**
Licensor Name:	**PROMUS HOTELS, INC., a Delaware corporation**
Licensed Brand:	**Embassy Suites**
Initial Approved Hotel Name (Trade Name):	**Embassy Suites – Waikiki Beach Walk**
Principal Name in Licensed Brand:	**Embassy**
Licensee Name and Address (Principal Correspondent for Notice):	**Outrigger Hotels Hawaii,** **a Hawaii limited partnership** **Mr. Melvyn M. Wilinsky** **2375 Kuhio Avenue** **Honolulu, Hawaii 96815** **Telephone: 808/921-6510** **Facsimile: 808/921-6505** **Email: mel.wilinsky@outrigger.com**
Address of Hotel:	**Beach Walk and Kalia Road** **Honolulu (Waikiki Beach), Hawaii 96815**
Initial Number of Approved Guest Rooms:	**421**

Plans Submission Dates:

Preliminary Plans:	**N/A**
Design Development (50%) Plans and Specifications:	**July 1, 2005**
Final (100%) Plans and Specifications:	**September 1, 2005**

Construction Commencement Date:	**October 1, 2005**
Construction Work Completion Date:	**April 26, 2007**

Licensee agrees that the Construction Commencement Date and Construction Work Completion Date may be extended by written notice from Licensor in its discretion.

Expiration of Term:	**At Midnight on the day before the fifteenth (15^{lh}) anniversary of the Opening Date**
Monthly Royalty Fee:	**Intentionally Deleted – Refer to Insert to Attachment B – Item 3**

Additional Requirements/Special Provisions [Paragraph #]:

- **Refer to Subparagraph 6.a.(23)**
- **Refer to Paragraph 10.b.**
- **Refer to Subparagraph 11.b.(2)(a)**
- **Refer to "Insert to Attachment B" for Embassy Suites Developer's Advantage Program modifications**

- **Paragraph 2 of the Franchise License Agreement is deleted in its entirety and the following is inserted in its place and stead:**

2. Grant of License

a. Non-Exclusive License. We hereby grant to you and you hereby accept a non-exclusive license (the "License") to use the System at, and in connection with the operation of, the Hotel, in accordance with the terms of this Agreement. You acknowledge and agree that you are not acquiring any rights other than the non-exclusive right to use the System to operate the Hotel under the Licensed Brand at the site licensed under this Agreement and in accordance with the terms of this Agreement.

Except as provided below, this Agreement does not limit our right, or the right of any of our present or future owners, subsidiaries, and affiliated entities (the "Entities"), to own, license or operate any other business of any nature ("Other Businesses"), including a hotel, inn, conference center, time share property, lodging facility or similar business, whether under the Licensed Brand or as a competitive brand, or otherwise. We reserve the right to engage in any Other Businesses, even if they compete with the Hotel, the System, or the Licensed Brand, whether we start those businesses, or purchase, merge with, acquire, are acquired by, or affiliate with, those businesses. We may also: (a) use or license to others all or part of the System; (b) use the facilities, programs, services and/or personnel used in connection with the System in Other Businesses; and (c) use the System, the Licensed Brand, and the Marks in the Other Businesses. You waive and release any claims, demands or damages arising from or related to any of the foregoing activities, and you acknowledge and agree that those activities will not give rise to any liability on our part, including liability for claims for unfair competition, breach of contract, breach of any applicable implied covenant of good faith and fair dealing, or divided loyalty.

Notwithstanding the foregoing, neither we nor any of the Entities will operate, or allow to operate, an all-suites hotel or motel under the Licensed Brand, as such name may be changed by us from time to time, within the Restrictive Area (defined below) from the Effective Date to midnight on the day before the fifteenth (15th) anniversary of the Opening Date, but in no event later than midnight on April 25, 2022 (the "Restrictive Period"). This restriction does not apply to any hotel that is currently open or under construction or has been approved for development or opening as a Licensed Brand hotel as of the Effective Date ("Existing Hotel"). The term Existing Hotel also includes any hotel located or to be located within the Restrictive Area that replaces such Existing Hotel under the Licensed Brand.

Restrictive Area as used in this Paragraph 2 means the area located within the following boundaries:

North & West:	**Center line of the Ala Wai Canal**
South:	**High tide line between Ala Wai Canal and Kapahulu Ave.**
East:	**Center line of Kapahulu Ave. between Ala Wai Canal and the Pacific Ocean**

This Restrictive Area is generally outlined on the map attached to, and incorporated by reference into, this Agreement as Exhibit A. Except as may otherwise be specifically provided in this Subparagraph 2.a., the Restrictive Area is from the shore or side of the street currently closest to the Hotel. If there is a conflict between Exhibit A and this narrative description, this description will control.

b. You agree that nothing contained in this Agreement or any laws, prohibits or limits us, Hilton, the Entities or any successors (by purchase, merger, acquisition or otherwise) from (1) engaging in any of the activities relating to Other Businesses under brand names other than the Licensed Brand, (2) constructing, owning, leasing, managing, franchising, licensing, operating or authorizing the operation of any Existing Hotel, and (3) constructing, owning, leasing, managing, franchising, or licensing any hotel other than an Existing Hotel under the Licensed Brand in the Restrictive Area, as long as the subject hotel does not begin operating under the Licensed Brand

until after the expiration of the Restrictive Period. In addition, the restrictions do not apply to (i) areas located anywhere outside the Restrictive Area; (ii) any period after the earlier of the expiration of the Restrictive Period or termination of this Agreement; (iii) any gaming-oriented hotels, facilities, or Other Businesses; (iv) any shared ownership properties commonly known as "vacation ownership" or "time share ownership" or similar real estate properties; or (v) any hotel(s), motel(s), or inn(s) that are part of a chain or group of four (4) or more hotels, motels, or inns that we, Hilton or the Entities, in a single transaction, after the Effective Date own, operate, acquire, lease, manage, franchise, license, or join through a merger, acquisition or marketing agreement (or otherwise), whether under their existing name or the Licensed Brand name or any other name.

You waive and release any claims, demands or damages arising from or related to any of the foregoing activities, and you acknowledge and agree that those activities will not give rise to any liability on our part, including liability for claims for unfair competition, breach of contract, breach of any applicable implied covenant of good faith and fair dealing, or divided loyalty.

c. Trade Name. The Hotel will be initially known by the trade name set forth in the Rider (the "Trade Name"). We may change the Trade Name and/or the Licensed Brand name and/or any of the Marks at any time at our sole discretion, but we will not change the principal name identified in the Rider. You may not change the Trade Name without our specific written consent. You acknowledge and agree that you are not acquiring the right to use any service marks, copyrights, trademarks, logos, designs, insignia, emblems, symbols, slogans, distinguishing characteristics, trade names, domain names or other marks or characteristics owned by the Entities that we do not specifically designate to be used in the System.

Your Ownership Structure: **Outrigger Hotels Hawaii, a Hawaii limited partnership** **100%**

Name (Shareholder, Partner, Member, and Manager)	Nature of Ownership Interest	% Interest
Outrigger Enterprises, Inc., a Hawaii corporation	General Partner	39.39%

Outrigger Enterprises, Inc.	Limited Partner	38.34%
Individuals and Trusts with no one individual or Trust owning more than 15%	Limited Partner	22.27%

IN WITNESS WHEREOF, the parties have executed this Agreement, which has an effective date as of the date set forth in this Rider (the **"Effective Date").**

LICENSEE:

OUTRIGGER HOTELS HAWAII,
a Hawaii limited partnership

By: Outrigger Enterprises, Inc.,
a Hawaii corporation,
Its General Partner

By: /s/ Melvyn M. Wilinsky
Name: Melvyn M. Wilinsky
Title: Senior Vice President

Executed on: 4/19/05

LICENSOR:

PROMUS HOTELS, INC.,
a Delaware corporation

By: /s/ J. David Greydanus
Name: J. David Greydanus
Title: SVP - Brand Management

INSERT TO ATTACHMENT B – RIDER TO FRANCHISE LICENSE AGREEMENT
FOR EMBASSY SUITES
DEVELOPERS ADVANTAGE PROGRAM ONLY

1. **Monthly Fees - Paragraph 7a.** of the License Agreement is hereby deleted and the following is inserted in its place and stead:

"a. Monthly Fees – Developer's Advantage. Beginning on the Opening Date of your Hotel, you will pay to us for each month (or part of a month, including the final month you operate under this Agreement) the Monthly Royalty Fees as set forth and defined in the Rider and a Monthly Program Fee in the amount of four percent (4%) of the Hotel's Gross Rooms Revenue (as the term is defined more specifically in Subparagraph 7.b. below) for the preceding calendar month. However, during the period from the Opening Date through the end of the first twelve (12) full calendar months after the Opening Date (the **"First Operating Year"),** you may retain one percent (1%) of the Monthly Program Fee, which must be allocated by you toward local advertising, marketing and promotional expenditures for the Hotel **("Local Markets Advertising")**, We will extend this provision during the second operating year only if the Hotel has not met or exceeded an average of one hundred percent (100%) "Yield" during the First Operating Year. For purposes of this provision, Yield will be determined by dividing the Hotel's average Gross Rooms Revenue per available Guest Room into the average gross rooms revenue per available guest room of all hotels in the Hotel's competitive set (as reported by Smith Travel Research) and multiplying by 100 to produce a percentage. You and we must mutually agree upon your competitive set prior to the Opening Date as well as any subsequent changes you may propose. Nothing in this Agreement is to be deemed a representation that the actual market share of the Hotel will meet or exceed one hundred percent (100%). At our request, you will provide us with documentation of Local Markets Advertising expenditures made pursuant to this paragraph. Additionally, all Local Markets Advertising must comply with then-current existing Embassy standards for advertising and comply with Paragraph 6.a.(11) below.

The amount of this Monthly Program Fee is subject to change by us from time to time, provided that any change will be established in the Manual. However, increase in the Monthly Program Fee, if any, will not exceed one percent (1%) of the Hotel's Gross Rooms Revenue in any calendar year, and the cumulative increases in the Monthly Program Fee, during the Term of this Agreement, will not exceed five percent (5%) of Gross Rooms Revenue."

2. **The following new Paragraph 7.g.** is hereby added to the License Agreement as follows:

"g. We acknowledge receipt from you of a non-refundable fee of Seventy-Five Thousand Dollars ($75,000), representing payment of the initial application fee (the **"Initial Fee").** Notwithstanding, that the Initial Fee is non-refundable under the terms of the franchise application that you signed and submitted, we agree to rebate to you fifty percent (50%) of the Initial Fee, or Thirty-Seven Thousand Five Hundred dollars ($37,500.00), without interest, provided that (i) you (or your Affiliate) have entered into a franchise license agreement with us for a second new-build Licensed Brand hotel and have commenced construction of such hotel by October 1, 2007, and (ii) you are then in good standing under this Agreement. You are not obligated to submit, and we are not obligated to approve, any franchise license application that may qualify you to receive this Initial Fee rebate. Any such application will be processed in accordance with our then standard franchise license application processing procedures."

3. **Monthly Royalty Fee of the Rider to Franchise License Agreement** is hereby deleted in its entirety and the following is substituted in its place and stead:

"Monthly Royalty Fee – Developers Advantage: **From the Opening Date of the Hotel, you shall pay a Monthly Royalty Fee representing a percentage of the Gross Rooms Revenue of the Hotel (as defined in Subparagraph 7.b. of the Agreement), in the amounts set forth below:**

Operating Year	Monthly Royalty Fee
Year 1*	Two percent (2%) of Gross Rooms Revenue
Years 2 and 3	Three percent (3%) of Gross Rooms Revenue
Years 4 or more	Four percent (4%) of Gross Rooms Revenue

* through the first twelve (12) full calendar months after the Opening of the Hotel."

4. HHonors Points. The following new Paragraph 7.h is hereby added to the License Agreement as follows:

After the Hotel has Opened, we will award you 1,000,000 Hilton HHonors points, having an estimated cash value of $10,000. HHonors membership, earning and redemption of HHonors points are subject to HHonors program terms and conditions. Federal, state and local taxes, if any, are your sole responsibility. We will furnish you with a 1099 tax form reflecting actual cash value of the 1,000,000 Hilton HHonors points awarded to you.

5. **Additional Support. The following new Paragraph 7.i** is hereby added to the License Agreement as follows:

We will provide you with the following target sales and marketing support if you meet specific milestones before Opening your Hotel:

(a) We will pay you Twenty Five Thousand Dollars ($25,000) towards the first year's salary of your Director of Sales for the Hotel, if the Hotel's Director of Sales is hired and working at least one year before the Hotel's Opening Date (At all times during this period, you will remain the employer of the Director of Sales).

(b) We will waive the initial training fees for the Hotel's general manager if the general manager is hired and working at least one year before the Hotel's Opening Date. We will also waive the initial training fees for the Hotel's Assistant General Manager, Chief Engineer, Executive Housekeeper, Front Office Manager, Food and Beverage Director, Hotel Controller and Director of Human Resources if the people in these positions are hired and working at least 6 months before the Hotel's Opening Date.

(c) If the Hotel starts construction on or before October 1, 2005, or the Licensor-approved extension of that date, if applicable, we will promote the Hotel before it Opens by Hilton-directed pre-opening marketing and public relations support.

(d) If the Hotel Opens on or before April 26, 2007, or the Licensor-approved extension of that date, if applicable, then we will promote the Hotel with two weeks of local spot radio advertising when the Hotel Opens.

EXI ɹT A

Restrictive Area Boundary - Proposed Embassy Suites, Honolulu, HI

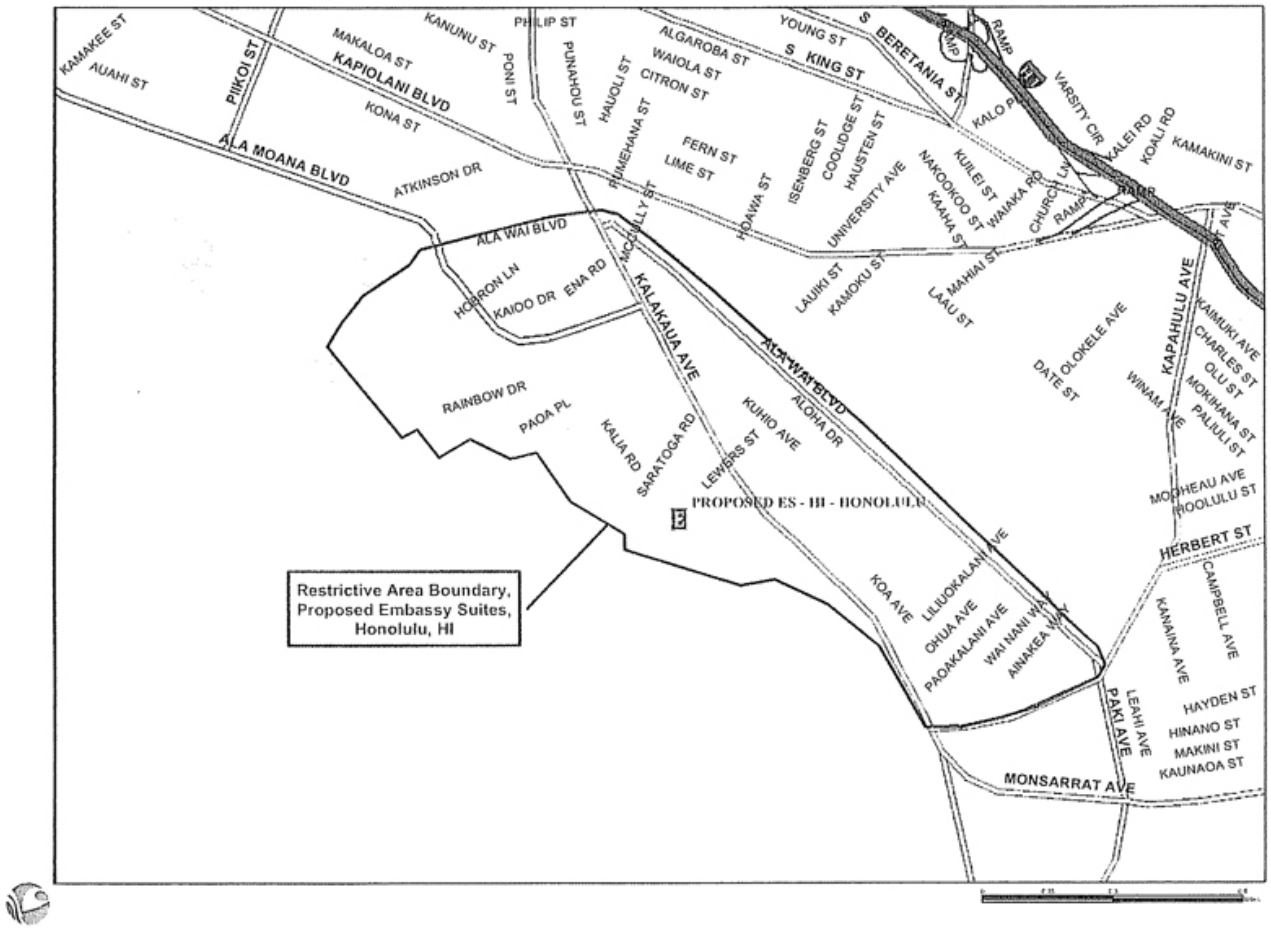

Exhibit 23.3

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated September 13, 2010 with respect to the balance sheet of American Assets Trust, Inc. as of August 12, 2010; our report dated September 13, 2010 with respect to the combined financial statements of American Assets Trust, Inc. Predecessor at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; our report dated September 13, 2010 with respect to the financial statements of Novato FF Venture, LLC at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; our report dated September 13, 2010 with respect to the statements of revenues and certain operating expenses of The Landmark at One Market for the years ended December 31, 2009, 2008 and 2007; and our report dated September 13, 2010 with respect to the combined statements of revenues and certain operating expenses of Solana Beach Centre properties for the years ended December 31, 2009, 2008 and 2007, all included in Amendment No. 1 to the Registration Statement on Form S-11 and related Prospectus of American Assets Trust, Inc. for the registration of $500,000,000 of its common stock.

/s/ ERNST & YOUNG LLP

San Diego, California
October 19, 2010

Exhibit 23.4

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Registration Statement on Form S-11 of American Assets Trust, Inc., of our report, dated March 31, 2010, relating to our audits of the financial statements of ABW Lewers LLC, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the caption “Experts” in the Prospectus.

/s/ ACCUITY LLP

Honolulu, Hawaii
October 19, 2010

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Registration Statement on Form S-11 of American Assets Trust, Inc., of our report, dated April 21, 2010 (except as to Note 3 and Note 6 which are as of September 13, 2010), relating to our audits of the combined financial statements of Waikiki Beach Walk – Hotel, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the caption "Experts" in the Prospectus.

/s/ ACCUITY LLP

Honolulu, Hawaii
October 19, 2010

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File No. 043222-0002

October 20, 2010

VIA EDGAR AND COURIER

Securities and Exchange Commission
Division of Corporation Finance
Mail Stop 4631
100 F Street, N.E.
Washington, D.C. 20549

Attention: Jennifer Gowetski, Senior Counsel
Erin Martin, Attorney-Advisor
Cicely LaMothe, Accounting Branch Chief
Jorge Bonilla, Staff Accountant

Re: American Assets Trust, Inc.
Registration Statement on Form S-11
Filed September 13, 2010
File No. 333-169326

Ladies and Gentlemen:

On behalf of American Assets Trust, Inc. (the "***Company***"), we have electronically transmitted for filing under separate cover, pursuant to Regulation S-T, Amendment No. 1 (the "***Amendment***") to the Company's above-referenced Registration Statement on Form S-11, which was initially filed with the Securities and Exchange Commission (the "***Commission***") on September 13, 2010 (the "***Registration Statement***"). For your convenience, we have enclosed a courtesy package that includes five copies of the Amendment, three of which have been marked to show changes from the initial filing of the Registration Statement on September 13, 2010.

This letter responds to the comments of the staff (the "***Staff***") of the Division of Corporation Finance of the Commission, received by facsimile on October 12, 2010 (the "***Comment Letter***"), with respect to the Registration Statement, and the Amendment has been revised to reflect the Company's responses to the Comment Letter. For ease of review, we have set forth below each of the numbered comments of your letter and the Company's responses thereto. All page numbers and captions in the responses below refer to the Amendment, except as otherwise noted below.

General

1. **Please provide us with copies of any graphics, maps, photographs, and related captions or other artwork including logos that you intend to use in the prospectus. Such graphics and pictorial representations should not be included in any preliminary prospectus distributed to prospective investors prior to our review.**

Response: The Company respectfully advises the Staff that, to the extent the Company intends to use any graphics, maps, photographs or other artwork, it will supplementally provide the Staff with copies of any such materials prior to inclusion in the prospectus.

2. **We note that much of the statistical and economic market data included in your prospectus was derived from market information prepared by Rosen Consulting Group. We further note your disclosure on page i that you paid Rosen Consulting Group a fee of $32,500. Please provide us with copies of the relevant portions of any study, report or book that you cite or on which you rely as well as the sources for the charts presented. Please mark the materials to specifically identify the portions that support your disclosure. To the extent that you rely on other sources not prepared by Rosen Consulting Group, please confirm that the industry reports or studies that you rely on were publicly available and not prepared for you and that you did not compensate the party that prepared these reports or studies. Alternatively, please file consents for the parties providing such data as exhibits to the registration statement.**

Response: The Company is supplementally providing (i) as **Exhibit A** to this letter relevant portions of the Rosen Consulting Group ("**RCG**") report, which have been marked to specifically identify the portions that support the Company's disclosure and (ii) as **Exhibit B** to this letter a copy of STR Global's 2010 STR US Chain Scales report, which has also been marked to identify the portions that support the Company's disclosure. The Company respectfully advises the Staff that it has not relied on other sources not prepared by RCG other than the 2010 STR US Chain Scales report, which is made publicly available without charge by STR Global, an independent hospitality industry research company. To the extent the Company does rely on other sources in the future, it will confirm to the Staff that such industry reports or studies are publicly available and not prepared for the Company and that the Company did not compensate the party that prepared such reports or studies. Alternatively, the Company will file consents for the parties providing such data as exhibits to its Registration Statement.

3. **We note that you intend to elect to be taxed as a REIT and, based on your current disclosure, it appears that less than $375 million of the proceeds of this offering has been allocated to identified uses. As a result, your offering may constitute a "blind-pool" offering. Accordingly, as applicable, please provide the disclosures required by Industry Guide 5 or advise us why this is not appropriate. See Securities Act Release 33-6900.**

Response: In response to the Staff's comment, the Company respectfully submits that its identified uses of proceeds exceed $375 million. As set forth on pages F-7 and F-13 of the prospectus, the Company currently anticipates raising $500 million of gross proceeds in this offering, of which approximately $44 million will be used to pay underwriting discounts and commissions, transaction costs and financing fees, resulting in net proceeds of approximately $456 million. In addition, as set forth on pages 20 and 59, the Company has identified $365.1 million of uses that will come out of such net proceeds. The combination of the $365.1 million of uses set forth in the "Use of Proceeds" section and the $44 million of underwriting discounts and commissions and other expenses results in $409.1 million of identified uses of the anticipated $500 million of gross proceeds of the offering. In addition, the Company respectfully notes that the $365.1 million of identified uses of proceeds set forth in the "Use of Proceeds" section also exceeds 75% of the net offering proceeds of $456 million.

4. **We note your disclosure on page II-1. Please revise your disclosure regarding the formation transactions to include a brief description of the private placement. In addition, please**

provide us with a detailed analysis regarding why the concurrent private placement of your common stock should not be integrated into your current public offering. Please see Securities Act Release No. 33-8828 (Aug. 10, 2007).

Response: In response to the Staff's comment, the Company has revised the disclosure on pages 12, 202 and 218 to include a brief description of the private placement.

With respect to why the concurrent private placement should not be integrated with the Company's public offering, the Company respectfully advises the Staff that the sole participants in the concurrent private placement are Ernest S. Rady, the Company's Executive Chairman, affiliates of Mr. Rady, and the other approximately 55 investors (the "***Private Placement Investors***") that currently hold equity interests, together with Mr. Rady and his affiliates, in predecessor entities of the Company that own, directly or indirectly, the properties that the Company will acquire pursuant to the formation transactions. Since each of Mr. Rady, his affiliates and the Private Placement Investors are contributing these equity interests to the Company in the formation transaction, and Mr. Rady is also an executive officer of the Company, each of Mr. Rady, his affiliates and the Private Placement Investors had a substantive, pre-existing relationship with the Company and these predecessor entities, having co-invested with them in the properties that will comprise the initial portfolio of the Company. Mr. Rady and other members of the Company's senior management, individually and through the predecessor entities of the Company, maintain a line of communication with each of the Private Placement Investors, and no general solicitation of any Private Placement Investor was made in connection with the formation transactions, whether in the form of the Registration Statement or otherwise. In addition, each of Mr. Rady, his affiliates and the Private Placement Investors have been aware of the proposed offering prior to the filing of the Registration Statement, and have entered into contribution or merger agreements, filed as Exhibits 10.9, 10.10 and 10.14 to the Registration Statement, irrevocably committing them to receive either shares of the Company's common stock or units in the operating partnership as consideration for their interests in the applicable entity or entities in which such person holds an interest.

Prior to the filing of the Registration Statement, each Private Placement Investor was provided with a confidential private placement memorandum describing the terms of the formation transactions and the proposed initial public offering, and subsequently consented to either (i) the contribution of its interests in the entity or entities in which it owns an interest to the operating partnership or a wholly owned subsidiary thereof, or (ii) the merger of the entity or entities in which it owns an interest, either with and into the Company or the operating partnership, or with a wholly owned subsidiary of the Company or the operating partnership. In connection with such consent, each Private Placement Investor who satisfied the accredited investor requirements under Regulation D also elected to receive either shares of the Company's common stock or units in the operating partnership as consideration for their interests in the applicable entity. As such, each Private Placement Investor was aware of the proposed public offering prior to the filing of the Registration Statement and made its investment decision based on its substantive, pre-existing relationship with the Company and its predecessor entities. In addition, in connection with the consent process, each Private Placement Investor that will be receiving shares of the Company's common stock or operating partnership units completed an accredited investor questionnaire and certified to the Company that it is an accredited investor as defined in Rule 501 of Regulation D. As a result of the circumstances outlined above the Company believes that the private placement of the Company's securities to Mr. Rady, his affiliates and the Private Placement Investors is permissible and should not be integrated with the registered public offering in accordance with the interpretive guidance regarding the integration of concurrent public and private offerings

issued by the Staff in its Compliance and Disclosure Interpretations—Securities Act Sections, Question 139.25 (the "***CDI***") and in Securities Act Release No. 33-8828 ("***Release 33-8828***").

In Release 33-8828, the Commission confirmed its position that the filing of a registration statement does not, in itself, eliminate a company's ability to engage in a concurrent private offering, whether it is commenced before or after the filing of a registration statement. Specifically, Release 33-8828 provides that:

> the determination as to whether the filing of the registration statement should be considered to be a general solicitation or general advertising that would affect the availability of a Section 4(2) exemption for such a concurrent unregistered offering should be based on a consideration of whether the investors in the private placement were solicited by the registration statement or through some other means that would otherwise not foreclose the availability of the Section 4(2) exemption. This analysis should not focus exclusively on the nature of the investors, such as whether they are "qualified institutional buyers". . .or institutional accredited investors. . . .; instead, companies and their counsel should analyze whether the offering is exempt under Section 4(2) on its own, including whether securities were offered and sold to the private placement investors through the means of a general solicitation in the form of the registration statement. . . . [I]f the prospective private placement investor became interested in the concurrent private placement through some means other than the registration statement that did not involve a general solicitation and otherwise was consistent with Section 4(2), such as through a substantive, pre-existing relationship with the company . . .. , then the prior filing of the registration statement generally would not impact the potential availability of the Section 4(2) exemption for that private placement and the private placement could be conducted while the registration statement for the public offering was on file with the Commission. Release 33-8828, pages 54-56.

The interpretive guidance provided in Release 33-8828 was subsequently confirmed by the Staff in the CDI, where it re-affirmed that, under appropriate circumstances, there can be a side-by-side private offering, under Securities Act Section 4(2) or the Securities Act Rule 506 safe harbor, with a registered public offering without having to limit the private offering to qualified institutional accredited investors, as permitted under the *Black Box Incorporation* (June 26, 1990) and *Squadron, Ellenoff* (February 28, 1992) no-action letters issued by the Division of Corporation Finance, or to a company's key officers and directors, as permitted under the "Macy's" position.

Based on the guidance set forth in Release 33-8828 and the CDI, the Company believes that the Section 4(2) exemption under the Securities Act is available for the concurrent private placement since the Company's common stock and operating partnership units to be issued in the concurrent private placement were not offered by means of a general solicitation, whether in the form of the Registration Statement or otherwise. As described above, the Company, through its predecessor entities, has a substantive, pre-existing relationship with Mr. Rady, his affiliates and each Private Placement Investor and each was directly contacted by the Company pursuant to the private

placement memorandum, which took place outside of the public offering effort. The Company affirms that no Private Placement Investor was identified or contacted through the marketing of the public offering, nor did any of them independently contact the Company as a result of the Registration Statement. Accordingly, the Company cannot be said to have identified or contacted Mr. Rady, his affiliates or the Private Placement Investors through a general solicitation by means of the Registration Statement or otherwise.

As a result of the foregoing, based upon the interpretive guidance provided in Release 33-8828, the Company believes that the concurrent private placement is exempt from Section 4(2) of the Securities Act and should not be integrated with the Company's public offering that is the subject of the Registration Statement.

Cover Page of Prospectus

5. The cover page should contain only information required by Item 501 or that is key information. Please revise accordingly and confirm that the cover page will not exceed one page in length. Refer to Item 501(b) of Regulation S-K.

Response: In response to the Staff's comment, the Company has revised the cover page of the prospectus and confirms that the cover page will not exceed one page in length.

Prospectus Summary, page 1

6. We note your summary is over 25 pages long and contains a lengthy description of your competitive strengths, growth strategies, market opportunity and industry background. Further, we note that identical or very similar disclosure appears later in your prospectus. The summary should not include a lengthy description of the company's business and business strategy. This detailed information is better suited for the body of the prospectus. Please revise to substantially reduce the amount of repetitive disclosure in the summary.

Response: In response to the Staff's comment, the Company has revised the disclosure in the prospectus summary to shorten and streamline the presentation and limit the amount of repetitive disclosure.

Overview, page 1

7. We note your disclosure on page 2 that your multifamily portfolio is comprised of 922 multifamily units and your disclosure on page i that RV spaces are counted as multifamily units. Please revise your disclosure on page 2, and elsewhere as appropriate, to specify the number of RV spaces in your multifamily portfolio.

Response: In response to the Staff's comment, the Company has revised the disclosure on page 2, and elsewhere as appropriate, to specify that the 922 multifamily units in the Company's multifamily portfolio include 122 RV spaces.

Our Competitive Strengths, page 2

8. We note your disclosure that your senior management team has an average of 28 years of experience in the industry and worked with American Assets Inc. for an average of 15 years. Please do not average the experience of your management and revise accordingly.

Please note that this comment also applies to disclosure in your Business section on page 118.

Response: In response to the Staff's comment, the Company has revised the disclosure on pages 2 and 114 to eliminate references to the average length of industry experience of its management team.

9. **We note your disclosure about the prior experience of your management team. To the extent that you continue to include this disclosure, please balance it with a discussion of adverse business developments. Please note that this comment also applies to disclosure found in your Business section on page 118.**

Response: In response to the Staff's comment regarding the Company's disclosure relating to the prior experience of its management team, the Company has added additional disclosure in the "Management" section on pages 186 and 187 which includes a balancing discussion of adverse business developments experienced by American Assets, Inc. since its inception.

Business and Growth Strategies, page 4

10. **Elsewhere in your prospectus, such as your Business section, please discuss in more detail your underwriting process and explain why you believe it is "rigorous."**

Response: In response to the Staff's comment, the Company has revised the disclosure on pages 3 and 118 to eliminate the characterization of its underwriting process as "rigorous" and has revised the disclosure on page 118 to discuss its underwriting process in more detail.

Summary Risk Factors, page 7

11. **Please revise your summary risk factors to more specifically describe each risk presented, including:**

- **Please revise the first bullet point to include your percentage concentration in each geographic area;**
- **Please revise the second bullet to include your leverage percentage and briefly describe any limitations on leverage or state that there are no limitations;**
- **Please revise the third bullet point to identify your significant tenants and the percentage of revenue derived from each significant tenant;**
- **Please clarify in the fifth bullet point the percentage of your revenue derived from leases that expire in the next year;**
- **Please clarify in the ninth bullet point what portion of his time Mr. Rady intends to devote to your business and affairs;**
- **Please clarify in the twelfth bullet point the percentage ownership of Mr. Rady and his affiliates in your company following this offering; and**

- **Please include disclosure regarding the risk that (i) you did not conduct arms-length negotiations with Mr. Rady, (ii) you have not obtained any third party appraisals and (iii) the price you will pay to Mr. Rady and prior investors may exceed the fair market value of the properties.**

Response: In response to the Staff's comment, the Company has revised the referenced summary risk factors, as well as several other summary risk factors, under the caption "Prospectus Summary—Summary Risk Factors" beginning on page 5 in order to more specifically describe each risk presented, as requested and, as appropriate, has made similar revisions to the corresponding risk factors under the caption "Risk Factors" beginning on page 25.

In addition, the Company has included under the caption "Prospectus Summary—Summary Risk Factors" beginning on page 5 a summary risk factor disclosing that (i) it did not conduct arms-length negotiations with Mr. Rady, (ii) it has not obtained any third party appraisals and (iii) the value of the common units and shares of its common stock to be issued as consideration for the properties and assets to be acquired in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined net tangible book value. The Company also has made revisions to the risk factor under the heading "*The value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined net tangible book value. . .*" on page 36 to more specifically describe the risk presented in such risk factor.

Our Properties, page 9

12. We note that you have included your 25% ownership of Fireman's Fund Headquarters in your property table. Please revise to separately present your joint venture property.

Response: The Company respectfully advises the Staff that it has determined not to include the Predecessor's 25% ownership interest in Fireman's Fund Headquarters in the formation transactions and, therefore, Fireman's Fund Headquarters will not be included in the Company's initial portfolio. As such, the Company has removed all references to Fireman's Fund Headquarters as a component of its initial portfolio from the property table and elsewhere throughout the prospectus.

13. We note the extensive use of footnotes following the table on page 9. Please revise to limit the use of footnotes by providing the disclosure in the narrative section preceding the chart or some other manner.

Response: In response to the Staff's comments, the Company has revised the property table and its related footnotes on pages 7, 8 and 9 and on pages 119, 120, and 121 to limit the use of footnotes by moving the substance of many of the footnotes to the property table into a narrative section following the table.

14. Please refer to the multifamily portfolio portion of your property table and footnote 24. Please explain to us how average monthly base rent per lease unit is the substantive equivalent of net effective rent per unit or revise your table to include net effective rent per leased unit for your multifamily portfolio. Please note that this comment also applies to your portfolio table on pages 123-125.

Response: In response to the Staff's comment, the Company respectfully advises the Staff that the leases in the multifamily portfolio generally have lease terms ranging from 7 to 15 months, with rental rates staying flat during the term of such leases. As the difference between average monthly base rent and net effective rent would be the result of increases or decreases in rent over time and there are no changes in the rental rates during the terms of the leases, in this instance, monthly base rent per leased unit is substantively equivalent to net effective rent per leased unit. In addition, the Company respectfully notes that, since none of the multifamily properties are significant properties as defined by Item 14 of Form S-11, disclosure of net effective rent per leased unit is not required pursuant to Item 15 of Form S-11.

Structure and Formation of Our Company, page 12

15. We note your disclosure on page 14 that you will issue to the prior investors a certain number of shares of your common stock and common units and that you will pay cash to those prior investors that are unaccredited. Please revise to (i) identify those prior investors, (ii) explain what you mean by "unaccredited" and (iii) briefly explain why you are paying cash to the unaccredited investors.

Response: In response to the Staff's comment, the Company has revised the disclosure throughout the Registration Statement to refer to "non-accredited" investors, rather than "unaccredited" investors, and has revised the disclosure on pages 12 and 219 to explain what it means by "non-accredited" and to briefly explain why it is paying cash to the non-accredited investors. With respect to identifying the prior investors, the Company respectfully advises the Staff that, in addition to Messrs. Rady, Chamberlain and Barton and their respective affiliates, there are approximately 55 other prior investors, none of whom will have any influence or control over the management of the Company, other than in their capacity as holders of relatively small amounts of the Company's securities. Assuming that the Company issues $500 million of its common stock in its initial public offering and that the offering price per share of the Company's common stock in such offering implies a valuation of $2.0 billion to its initial portfolio, Messrs. Rady, Chamberlain and Barton and their respective affiliates will collectively own approximately 37% of the Company on a fully diluted bases and no other prior investor will own in excess of approximately 1.6% of the Company on a fully diluted basis. Given the large number of these other prior investors, the immateriality of their investment in the Company and their lack or influence or control over the management of the Company, the Company respectfully suggests that the identities of these other prior investors is not material to the investment decision of investors in the Company's initial public offering. Furthermore, the Company believes that the inclusion of this additional immaterial information could detract investors from focusing on the material information that the Company is attempting to communicate regarding its structure and the formation transactions.

16. Please revise to aggregate the amount of common stock, common units and cash that each prior investor, including Mr. Rady and his affiliates, will receive as a result of this offering and the formation transactions. In this regard, we note that Mr. Rady and prior investors will receive amounts from notes payable as well as the excess of net working capital.

Response: In response to the Staff's comment, the Company has revised its disclosure on pages 6, 221 and 222 to include the aggregate cash consideration to be received in connection with the formation transactions by each of Mr. Rady and his affiliates, Mr. Chamberlain and his affiliates and Mr. Barton his affiliates. In addition, the Company respectfully notes that on pages 6, 221 and 222 of the prospectus it will be disclosing the aggregate amount and value of the

shares of common stock and common units to be received by each of Mr. Rady and his affiliates, Mr. Chamberlain and his affiliates and Mr. Barton and his affiliates. With respect to including similar disclosure relating to each of the other prior investors, in addition to the relatively immaterial equity ownership of the other prior investor as set forth in response to comment 15 above, the Company respectfully advises the Staff that the total amount of cash payable to unaccredited investors, which will be disclosed on page 20 and 59 of the prospectus, is expected to be approximately $4.4 million, assuming that the Company issues $500 million of its common stock in its initial public offering and that the offering price per share of the Company's common stock implies a valuation of $2.0 billion to its initial portfolio. For this reason and for the reasons set forth in its response to comment 15 above, the Company respectfully submits that, in its view, the aggregate amounts of common stock, common units and cash payable to the individual prior investors (other than Messrs. Rady, Chamberlain and Barton and their respective affiliates) is not material to the investment decision of investors in the Company's initial public offering and that the inclusion of this additional immaterial information could detract investors from focusing on the material information the Company is attempting to communicate regarding the formation transactions and the interests of its senior management in the formation transactions.

17. **We note that no third party appraisals were obtained in connection with the formation transactions. Please revise your disclosure to specifically describe how you determined the value of each of the properties.**

Response: In response to the Staff's comment, the Company has included additional disclosure on pages 11, 202, 203 and 218 to describe better how the value of each of the properties will be determined based on a relative equity valuation analysis.

18. **We note that you intend to use $24.3 million of the net proceeds of this offering to pay applicable prepayment costs, exit fees and defeasance costs associated with the outstanding indebtedness you intend to repay and that you expect to have approximately $924.1 million of indebtedness including your pro rata share of joint venture debt following this offering. Please describe, in this section or elsewhere as appropriate, how you determined the indebtedness to be repaid with the proceeds of this offering.**

Response: In response to the Staff's comment, the Company has revised the disclosure on pages 13 and 220 to describe how the Company determined the indebtedness to be repaid with the proceeds of this offering.

Our Structure, page 19

19. **Please include your services company, American Assets Trust Services, Inc., in your organization chart.**

Response: In response to the Staff's comment, the Company has included its services company, American Assets Trust Services, Inc., in its organization chart on pages 16 and 225.

20. **Please revise to identify the affiliates of Ernest Rady as well as the other prior investors in your organization chart.**

Response: The Company has included the affiliates of Ernest Rady, John Chamberlain and Robert Barton in footnote 3 of the organization charts on pages 16 and 225. As discussed in response to comments 15 and 16 above, the Company does not believe that the identities of the individual other prior investors would be material to the investment decisions of investors in the Company's initial public offering and that the identification of each individual other prior investor in this organization chart would be distracting, given the number of such prior investors, and could detract investors in the Company's initial public offering from focusing on material information regarding the ownership interests of the Company's senior management, which the Company is attempting to communicate in its organization chart. As such, the Company respectfully suggests that it should not be required to provide the identities of its other prior investors in its organization chart.

Risk Factors, page 28

21. We note that several risk factor subheadings merely state general facts about your business. For example, we note the following subheadings:

- **"We depend on significant tenants in our office properties," page 29;**
- **"We may be unable to renew leases, lease vacant space or re-let space as leases expire," page 30;**
- **"Our future acquisitions may not yield the returns we expect," page 32;**
- **"Our proposed revolving credit facility will restrict our ability to engage in some business activities," page 34;**
- **"We are subject to risks that affect the general retail environment," page 35;**
- **"We are subject to the business, financial and operating risks inherent in the hospitality industry," page 37;**
- **"Our real estate development activities are subject to risks particular to development," page 39;**
- **"Our performance and value are subject to risks associated with real estate assets. . .," page 43;**
- **"We may assume unknown liabilities in connection with our formation transactions," page 48;**
- **"Tax protection agreements could limit our abilities to sell .," page 50;**
- **"Legislative or other actions affecting REITs could have a negative effect on us," page 56; and**
- **"Market interest rates may have an effect on the value of our common stock."**

Please revise throughout as necessary to identify briefly in your subheadings the specific risks to you that result from the noted facts or uncertainties, and then elucidate as needed to

provide details regarding each risk. Potential investors should be able to read a risk factor subheading and understand the risk as it specifically applies to you.

Response: In response to the Staff's comment, the Company has revised the referenced risk factor subheadings, as well as other risk factor subheadings under the caption "Risk Factors" beginning on page 25, in order to identify the specific risks arising from the facts or uncertainties noted in the corresponding risk factor, and has provided additional details regarding certain revised risk factors, as necessary.

22. **You should present as risk factors only those factors that represent a material risk to investors in this offering. Do not include risk factors that could apply to any issuer or to any other offering. Several of your risk factors seem to fit into this category and you should revise to cite a particular risk. For example only, we note the following risk factors:**

- **"Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance," page 41;**

Response: In response to the Staff's comment, the Company has revised the referenced risk factor as requested to focus more specifically on the material risk to investors in this offering, namely, that potential losses from earthquakes in the Company's largest markets, California and Hawaii, may not be covered by insurance.

- **"If we fail to maintain an effective system of integrated internal controls . . . ," page 42;**

Response: In response to the Staff's comment, the Company has deleted the referenced risk factor as it presented a risk that applies to issuers generally rather than to the Company specifically.

- **We could incur significant costs related to government regulation and litigation . . .," page 45; and**

Response: In response to the Staff's comment, the Company has revised the referenced risk factor as requested to focus more specifically on the material risks to investors in this offering, namely, that as an owner of commercial real estate the Company could face significant costs and liabilities related to environmental compliance and that one of the Company's properties is subject to an ongoing environmental remediation.

- **"Our rights and the rights of our stockholders to take action against our directors and officers are limited," page 52.**

Response: In response to the Staff's comment, the Company has revised the referenced risk factor as requested to focus more specifically on the material risks to investors in this offering, namely, that, since the Company's charter eliminates certain liability of its directors and officers, the Company and its stockholders may have more limited rights against its directors and officers than might otherwise exist.

Risks Related to Our Business and Operations, page 28

Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated . . .,, page 28

23. Risk factor disclosure should be detailed enough so that investors can understand the potential magnitude of the risk. Please revise this risk factor to explicitly identify and describe how your operations have been effected by its geographic concentration and dependence.

Response: In response to the Staff's comment, the Company has revised the referenced risk factor to enhance its disclosure of the potential magnitude of the risks posed by owning a real estate portfolio that is geographically concentrated in California and Hawaii. Specifically, the Company has included specific examples of recent developments and conditions in California and Hawaii that have adversely affected the Company's operations as a result of the Company's geographic concentration in such markets.

Our retail shopping center properties depend on anchor stores . . .,, page 30

24. Each risk factor should contain a single, discrete risk. This risk factor appears to discuss the risk associated with anchor tenants and certain lease provisions, which appear to be separate risks. Please revise to present each risk separately.

Response: In response to the Staff's comment, the Company has separated the referenced risk factor into two new risk factors—one, the risk factor under heading "*Our retail shopping center properties depend on anchor stores . . .*" on page 27, focused on the risks posed by the Company's dependence on anchor and major tenants at its retail properties, and the other, the risk factor under heading "*Many of the leases at our retail properties. . .*" on page 27, focused on the risks posed by certain "co-tenancy" provisions contained in certain of the Company's retail leases—in order to ensure that each risk factor contains a single, discrete risk.

Risks Related to Our Status as a REIT, page 53

We may be unable to make distributions at expected levels, and we may be required to borrow funds . . . , page 57

25. Refer to the comment above. This risk factor also appears to present multiple risks and should be revised to present each risk separately.

Response: In response to the Staff's comment, the Company has separated the referenced risk factor into two new risk factors—one, the risk factor under heading "*We may be unable to make distributions at expected levels. . . .*" on page 53, focused on the Company's ability to make distributions at expected levels, and the other, the risk factor under heading "*Some of our distributions may include a return of capital . . .*" on page 54, focused on risks posed by the potential tax treatment of certain distributions—in order to ensure that each risk factor contains a single, discrete risk.

Distribution Policy, page 64

26. Please revise to clarify whether you are permitted to use common stock to make any portion of your distribution payments.

Response: In response to the Staff's comment, the Company has revised the disclosure on pages 19 and 61 to clarify that the Company will be permitted to use its common stock to make distribution payments. In addition, given this possibility, the Company has included a cross

reference to the risk factor entitled "*We may in the future choose to pay dividends in shares of our common stock, in which case you may be required to pay tax in excess of the cash you receive*" so that investors understand the implication of any such potential distributions in stock.

27. Please refer to footnote (1) on page 66, and notes (G) and (HH) on pages F-13 and F-18, respectively. We note the pro forma amounts give effect to a revolving credit facility you anticipate entering into. Please clarify whether this assumption is based on a firm commitment from a lender. If not, explain how this assumption is factually supportable.

Response: In response to the Staff's comment, the Company respectfully advises the Staff that although it does not have firm commitments from lenders at this time, it is in the process of negotiating the revolving credit facility with Wells Fargo Securities, LLC and Bank of America Securities LLC and further assures the Staff that it will have a firm commitment from lenders prior to effectiveness of the registration statement.

28. In footnote (6) it appears that you have not reflected decreases for lease expirations in which a tenant has entered into a month-to-month lease. Since month-to-month leases are generally cancelable at any time, it does not appear that you have a reasonable basis to assume the continuation of month-to-month leases for a full year. Unless you have entered into a renewal lease, please revise your distribution table to reflect the decreases due to lease expirations for month-to-month leases.

Response: In response to the Staff's comment, the Company respectfully advises the Staff that it has six month-to-month leases, which were initiated in 2002, 2003, 2004, 2004, 2008 and 2010. Each of these tenants is current on its payments and none of them has indicated an intention to terminate its lease within the next 12 months, nor is the Company is aware of any such intention by any of these tenants. The Company respectfully believes that for those of its tenants who have maintained month-to-month leases for greater than 60 months, given their extended tenure as month-to-month tenants, it is reasonable for the Company to anticipate that these tenants will continue their tenancies for the next 12 months. The Company has revised the disclosure in footnote 4 on page 64 to reflect that the Company assumes no month-to-month lease renewals, other than with respect to month-to-month leases that have been in place for more than 60 months.

Capitalization, page 69

29. Please revise the capitalization table to include a column that presents the pro forma amounts before the offering.

Response: In response to the Staff's comment, the Company has revised the capitalization table to include a column that presents the pro forma amounts before the offering.

Dilution, page 70

30. Please revise the dilution table to disclose the increase in pro forma net tangible book value per share attributable to the offering separate from the effect of the formation transactions.

Response: In response to the Staff's comment, the Company has revised the dilution table to disclose the increase in pro forma net tangible book value per share attributable to the offering separate from the effect of the formation transactions.

Hospitality, page 115

31. Please disclose the meaning of "upscale" and "upper upscale" in plain English and explain what you mean by your statement on page 115 that "hotels in Hawaii are expected to react in a similar fashion" and the basis for it.

Response: In response to the Staff's comment, the Company has revised the disclosure on page 111 to explain what it means by "upscale" and "upper upscale" and has deleted the statement that "hotels in Hawaii are expected to react in a similar fashion."

Business and Properties, page 117

Overview, page 117

32. Please revise to provide an aggregate schedule of the lease expirations. In addition, please provide the occupancy data as well as the average effective annual rent per square foot associated with your mixed-use and multifamily portfolios for each of the last five years. Refer to Item 15 of Form S-11.

Response: In response to the Staff's comment, the Company has included an aggregate schedule of lease expirations for its retail portfolio, office portfolio and the retail portion of its mixed-use portfolio beginning on page 122, each of which use the same property-level data (including annualized base rent and annualized base rent per leased square foot) and, thus, can be presented on an aggregate basis. The Company has excluded the multifamily portfolio and the hotel portion of the mixed-use property from this schedule as it believes that inclusion would not provide useful information to investors. In particular, the multifamily portfolio is not included in this schedule since the multifamily unit leases, as described on page 173, generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms. The hotel portion of the mixed-use portfolio also is not included in this schedule because the rooms are rented on a nightly basis and, therefore, lease expiration information would be meaningless.

In response to the Staff's comment, beginning on page 174, the Company has also included occupancy data as well as average monthly base rent data for each of the properties in its multifamily portfolio for each of the last five years. Further, the Company respectfully advises the Staff that occupancy data as well as the average effective annual rent per square foot for the retail portion of its mixed-use property for each of the last five years is provided on page 171. However, as the hotel rents rooms on a nightly basis, the Company does not believe such information would be useful to investors with respect to the hotel portion of its mixed-use property. In addition, the Company respectfully notes that, since none of the properties in either the mixed-use portfolio or the multifamily portfolio are significant properties as defined by Item 14 of Form S-11, such disclosure is not required pursuant to Item 15 of Form S-11.

33. We note your reference to your Waikiki Beach Walk property, which consists of retail space and a 369-room all-suite hotel. According to Waikiki Beach Walk's website, www.waikikibeachwalk.com, which is maintained by Outrigger Hotels Hawaii, there are four hotels included in the Waikiki Beach Walk property. Please revise to clarify which hotel you own and identify the franchisor.

Response: In response to the Staff's comment, the Company has revised its disclosure on page 168 and elsewhere in the Registration Statement, as appropriate, to clarify that its hotel property

is the Embassy Suites™ located at the Waikiki Beach Walk property and that this hotel is operated under a Franchise License Agreement with Promus Hotels, Inc., as the licensor.

Our Portfolio, page 123

34. We note that throughout this section you do not disclose rental data for one of your tenants, Old Navy. Please provide this information in your amendment.

Response: In response to the Staff's comment, the Company respectfully advises the Staff that the terms of the Company's lease agreement with Old Navy prohibit the Company, subject to certain limited exceptions, from disclosing lease terms without its tenant's consent, and that its tenant has not consented to the disclosure of certain financial terms and the renewal options. In addition, the Company respectfully suggests that because Old Navy does not occupy ten percent or more of the rentable square footage of a significant property, disclosure of the rental data is not required by Item 15 of Form S-11.

Legal Proceedings, page 187

35. Please provide the information required by Item 103 of Regulation S-K with respect to the legal proceedings you have disclosed.

Response: In response to the Staff's comment, the Company respectfully advises the Staff that the legal proceedings it has disclosed fall outside the scope of Item 103 of Regulation S-K and for this reason additional disclosure is not required.

Item 103 of Regulation S-K requires the description of any material legal proceedings, other than ordinary routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or of which any of their property is the subject. The Company respectfully notes that neither the Company nor any of its subsidiaries is a party to any of the litigation disclosed. With respect to the legal proceedings other than the litigation to which American Assets, Inc., the Rady Trust and Mr. Rady are a party (the "***American Assets, Inc. Litigation***"), which are referenced by the Company but not specifically identified in its disclosure, the Company respectfully advises the Staff that these matters constitute ordinary course litigation incidental to the operation of certain of the ownership entity's commercial real estate business and that none of these proceedings involves a claim for relief which would be material to the Company.

Although the Company does not believe that Item 103 disclosure is required with respect to the American Assets Litigation, it has nevertheless revised its disclosure on page 183 to provide disclosure consistent with the requirements of Item 103 of Regulation S-K with respect to these proceedings in the interest of providing full disclosure of litigation involving Mr. Rady, who will be the Executive Chairman of the Company and its largest stockholder.

36. We note your statement on page 187 that to the extent these plaintiffs were prior investors, they have consented to the formation transactions. Please revise your disclosure to identify the prior investors, explain what you mean by the statement, clarify how the prior investors gave consent and discuss, as appropriate in the risk factor section, how these claims could impact your business.

Response: In response to the Staff's Comment, as discussed above, the Company has revised its disclosure on page 183 to disclose that the prior investors described are direct or indirect stockholders of American Assets, Inc. and to clarify how the prior investors gave their consent. With respect to how these claims could impact its business, the Company respectfully notes that it addresses this in its risk factor entitled "*Upon the completion of this offering and our formation transactions, we may be subject to on-going litigation, which could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock*."

Management, page 188

37. **We note that you have five director nominees. Please update your disclosure prior to effectiveness to disclose your four independent directors.**

Response: In response to the Staff's comment, the Company confirms that it will update its disclosure prior to effectiveness to disclose its director nominees and independent directors.

Descriptions of the Partnership Agreement of American Assets Trust, L.P, page 228

38. **We note your statements on the top of pages 228, 245 and 251 that the summary is qualified in its entirety by reference to Maryland law. Please note that a summary by its nature is not complete, but should highlight all the material provisions and should not be qualified by information outside of the prospectus. Please revise appropriately and clarify that your prospectus includes all the material information.**

Response: In response to the Staff's comment, the Company has revised the statements on the top of pages 227, 244 and 250 to clarify that the prospectus includes the material information.

Description of Securities, page 245

39. **Please disclose the amount of authorized stock that you may issue pursuant to your organizational documents or explain to us why such information is not available.**

Response: In response to the Staff's comment, the Company has revised the disclosure on pages 66 and 244 to include the amount of authorized stock that the Company may issue pursuant to its organizational documents.

40. **We note your statement that all shares of common stock will be "duly authorized, fully paid and non-assessable." Please note that this is a legal conclusion to be determined by counsel. Please remove this language from your prospectus or revise to reference a legal opinion filed as an exhibit to the registration statement.**

Response: In response to the Staff's comment, the Company has removed the language stating that all of its shares of common stock will be "duly authorized, fully paid and non-assessable."

Federal Income Tax Considerations, page 261

41. **We note your statement that Latham & Watkins LLP will render an opinion that you are organized in conformity with the requirements for qualification and taxation as a REIT.**

Please revise your disclosure prior to effectiveness to reflect that counsel has rendered such opinion.

Response: The Company acknowledges the Staff's comment, and it anticipates that it will receive an opinion from Latham & Watkins LLP that it is organized in conformity with the requirements for qualification and taxation as a REIT, prior to effectiveness of the Registration Statement, at which time, it will revise the disclosure on page 261 accordingly.

Financial Statements, page F-1

Pro Forma Consolidated Financial Statements, page F-3

42. We note your disclosure that the Controlled Entities are under common control of Ernest Rady, and/or his affiliates, including the Rady Trust. Please clarify how you determined the entities were under common control especially in situations where an affiliate may hold the controlling interest. Supplementally identify the controlling party and explain the type and percentage interests held in each entity. As it relates to the trust, please tell us the structure of the trust, the powers held by the trustee in terms of their discretion in voting the trust's shares, whether the trustee may be removed at will and whether the trust was set up in contemplation of the offering.

Response: In response to the Staff's comment, the Company advises the Staff that Mr. Rady, through the Rady Trust and his ownership interest in entities in which either Mr. Rady or the Rady Trust is the managing member or general partner, has a 50.1% or more direct or indirect ownership interest in all of the Controlled Entities. See attached **Exhibit E** for a summary of Mr. Rady's percentage ownership of the Controlled Entities. With respect to the Rady Trust, Mr. Rady has voting control over securities held by the trust and the power to dispose of the trust's assets. With respect to those entities in which either Mr. Rady or the Rady Trust is the managing member or the general partner, in his, or its, capacity as managing member or general partner, either Mr. Rady or the Rady Trust has the power to vote the securities held by such entities and dispose of their assets. In addition, with respect to those entities in which either Mr. Rady or the Rady Trust is the managing member or general partner, the non-managing members and limited partners, as applicable, of such entities do not have the ability to remove the managing member or general partner, as applicable.

With respect to the Rady Trust, the Company further advises the Staff that the trust is a revocable trust established by Mr. Rady and his wife, of which Mr. Rady is the trustee. The trust does not allow for the removal of Mr. Rady as the trustee at will. The Company further advises the Staff that the trust was established in March of 1983 and not in contemplation of this offering.

Pro For Consolidated Balance Sheet, page F-7

43. Please revise to present adjustments (I) and (J) before the column "Pro Forma Before Offering."

Response: In response to the Staff's comment, the Company has revised the disclosure to present adjustments (I) and (J) before the column "Pro Forma Before Offering."

Pro Forma Consolidated Statement of Operations, page F-8

44. Please include pro forma per share information in a subsequent amendment.

Response: In response to the Staff's comment, the Company confirms that it will include pro forma per share information in a subsequent amendment.

Note (I), page F-14

45. We note that you plan to have a distribution to existing investors equal to the positive working capital balance. Please tell us how you considered the guidance in SAB Topic 1B.3.

Response: In response to the Staff's comment, the Company advises the Staff that it considered the guidance in SAB Topic 1B.3 which provides that (i) dividends declared by a subsidiary should either be given retroactive effect in the balance sheet with appropriate footnote disclosure, or reflected in a pro forma balance sheet and (ii) when dividends are to be paid from the proceeds of the offering, it is appropriate to include pro forma per share data (for the latest year and interim period only) giving effect to the number of shares whose proceeds were to be used to pay the dividend. Based on the this guidance, the Company determined to reflect the planned distribution in the pro forma balance sheet in accordance with the guidance in SAB Topic 1B.3. As excess net working capital from the ownership entities, and not proceeds from the offering, will be used to pay the dividend, the Company did not include pro forma per share data giving effect to the number of shares whose proceeds were to be used to pay the dividend. The Company further advises the Staff that when presenting pro forma per share data in subsequent amendments, it will again consider the guidance in SAB Topic 1B.3.

Financial Statements of American Assets Trust, Inc. Predecessor, page F-24

Note 1 — Summary of Significant Accounting Policies, page F-29

Real Estate, page F-32

46. For your below market leases, please tell us how you factored any fixed rate renewal options into the calculation of the fair value of below market leases acquired and the period over which it is amortized.

Response: In response to the Staff's comment, the Company advises the Staff that, for below market leases with fixed rate renewal options, where the Company concluded that it was probable that the option would be exercised by the tenant and the liability would be amortized over the expected lease period, it included the extended lease period in the calculation of the below market lease intangible where it was material.

Part II — Information Not Required In Prospectus, page II-1

Item 36. Financial Statements and Exhibits, page II-2

47. Please submit all exhibits as promptly as possible. Please also consider providing us with drafts of your legality and tax opinions with your amendment. Note that we will review the exhibits prior to granting effectiveness of the registration statement and may have further comments after our review.

Response: In response to the Staff's comment, the Company confirms that it will file copies of all of its remaining exhibits as promptly as possible so that the Staff will have a sufficient time to review them. In addition, in response to the Staff's request, the Company has supplementally provided as **Exhibit C** and **Exhibit D** to this letter, respectively, drafts of the legality opinion of Venable LLP and the opinion of Latham & Watkins LLP with respect to tax matters.

48. We note that you have a management agreement for your Waikiki Beach Walk™ property. Please explain why you have not filed the agreement as a material contract pursuant to Item 601(b)(10) of Regulation S-K.

Response: In response to the Staff's comment, the Company has filed a copy of the management agreements for its Waikiki Beach Walk property as Exhibits 10.40 and 10.41 to its Registration Statement.

49. Refer to the material contracts filed as exhibits 10.8, 10.9, 10.10, 10.11, 10.12, 10.13, 10.14, 10.15, 10.16, 10.19 and 10.27 to your registration statement. We note that contracts, as filed, appear to omit schedules and exhibits to the contracts. Item 601(b)(10) of Regulation S-K requires you to file all material contracts in their entirety. Please file the complete contracts with your amendment.

Response: In response to the Staff's comment, the Company has filed complete copies of each of exhibits 10.9, 10.10, 10.11, 10.12, 10.13, 10.14, 10.15, 10.16 and 10.19, including all schedules and exhibits. With respect to Exhibit 10.8, the Company respectfully advises the Staff that this is a "form of" agreement that has not yet been executed and, as such, its schedules have not yet been finalized. With respect to former Exhibit 10.27, the Company respectfully advises the Staff that as the Fireman's Fund Headquarters will not be included in the Company's initial portfolio, this loan agreement will not be assumed by the Company. Accordingly, this loan agreement has been removed from the exhibits to the Company's Registration Statement because it is not a material contract of the Company.

LATHAM & WATKINS LLP

Please do not hesitate to contact me by telephone at (213) 891-8371 or by fax at (213) 891-8763 with any questions or comments regarding this correspondence.

Very truly yours,

/s/ Julian T.H. Kleindorfer
Julian T.H. Kleindorfer of
LATHAM & WATKINS LLP

cc: John Chamberlain, American Assets Trust, Inc.
Adam Wyll, American Assets, Inc.
Scott N. Wolfe, Esq., Latham & Watkins LLP
Michael E. Sullivan, Esq., Latham & Watkins LLP
David W. Bonser, Esq., Hogan Lovells US LLP
Samantha S. Gallagher, Esq., Hogan Lovells US LLP

Exhibit A

(provided supplementally)

Exhibit B

(provided supplementally)

Exhibit C

(provided supplementally)

Exhibit D

(provided supplementally)

Exhibit E

Property	Ernest Rady Trust	Ownership Percentage Other Entities for which Ernest Rady or the Rady Trust is the Managing Member or General Partner	Total
Retail:			
Carmel Country Plaza	32.50%	47.91%	80.41%
Carmel Mountain Plaza	99.00%	1.00%	100.00%
Southbay Marketplace	87.82%	1.00%	88.82%
Rancho Carmel Plaza	93.00%	1.00%	94.00%
Lomas Santa Fe Plaza	74.06%	20.00%	94.06%
Del Monte Center	27.75%	40.85%	68.60%
The Shops at Kalakaua	53.87%	0.00%	53.87%
Waikele Center	44.00%	24.27%	68.27%
Alamo Quarry	8.64%	54.90%	63.54%
Office:			
Torrey Reserve Campus	0.00%	77.84%	77.84%
Valencia Corporate Center	18.28%	48.13%	66.41%
160 King Street	4.92%	57.86%	62.79%
The Landmark at One Market	0.00%	85.24%	85.24%
Multifamily:			
Imperial Beach Gardens	60.00%	1.13%	61.13%
Loma Palisades	24.38%	35.43%	59.80%
Mariners Point	100.00%	0.00%	100.00%
Santa Fe Park RV Resort	0.00%	51.72%	51.72%